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FINANCIAL TIMES

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Fall-out spreads from sanctions mini-summit, Page 3

World news | Business summary

US budget deficit to exceed target

THE US budget deficit in the coming fiscal year will be nearly $30bn above target, according to preliminary figures due to be released by the independent Congressional Budget Office (CBO) later this week.

The CBO is expected to put the deficit for fiscal 1987, which begins on October 1, at $173bn, considerably higher than originally expected. The projection is high enough to trigger spending cuts under the Gramm-Rudman Balanced Budget Act, which sets next year's deficit target at $144bn.

The extent of the cuts, however, will also depend on the definite estimate by the Administration's Office on Management and Budget, which is expected to be about $20bn lower than the CBO's. Page 10

France to aid Spain

France agreed to step up help to Spain in the fight against Basque separatist guerrillas. Spanish Prime Minister Felipe Gonzalez hailed the move as an important step against Basque violence. Page 2

Craxi delivers plan

Italian Socialist Prime Minister Bettino Craxi took his new government programme to the Italian senate promising the continuation of the political stability the country has enjoyed for the past three years. Page 2

Libya challenge

Libya challenged the US to test in the World Court, or some other international tribunal, any evidence of Washington's charges that Libya backed terrorist activities in Europe.

Israeli offer

Israeli Prime Minister Shimon Peres said Israel would accept a Soviet role in Middle East peace talks if Moscow established diplomatic relations with the Jewish state. Page 2

Bush ends tour

US vice president George Bush ended his Middle East tour with no firm agreement on peace talks in the area. Page 2

Colombian president

Virgilio Barco, a 64-year-old centrist, takes office tomorrow as Colombia's 78th president, leaving everyone but his closest aides guessing at how he intends to rule the violence-plagued country.

Philippines talks

Communist emissaries met a representative of President Corazon Aquino to prepare for talks on ending the 17-year-old war in the Philippines.

Deng welcome

Chinese leader Deng Xiaoping said a speech by Soviet leader Mikhail Gorbachev calling for improved Sino-Soviet ties contained "positive elements," Japanese sources said.

Oil analyst dies

Oil analyst Dan Lundberg, whose weekly survey of US petrol prices became a bible of the oil industry, died in a Los Angeles hospital aged 73.

Chinese SE opens

The first bond and stock exchange in China since 1949 opened in the north-east city of Shenyang.

Tehran bomb

A bomb exploded in Tehran killing a passer-by and damaging two cars.

Painting not insured

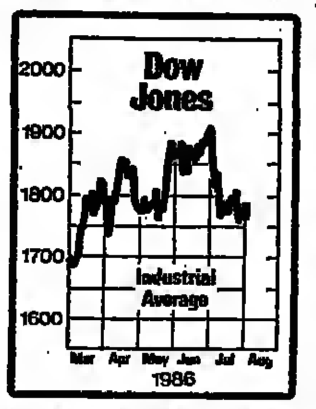
Weeping Woman, a $1.2m painting by Pablo Picasso stolen from an Australian art gallery this week, was not insured, said Victoria's state arts minister.

Textron in $965m bid for Ex-Cell-O

TEXTRON, US defence and financial services group, launched a $965m takeover offer for Ex-Cell-O, the diversified manufacturer of aerospace, automotive and general industrial precision products. Page 10

LONDON: News of Opec's tentative accord to cut production quotas provided a tonic for share prices. The FT Ordinary share index rose 4.3 to 1,265.8 and the FT-SE 100 share index added 16.2 to 1,561.6. Page 28

TOKYO: A rally in response to a rise in the price of Tokyo Electric Power ended a four-day run of losses. The Nikkei average gained 151.68 to close at 17,414.76. Page 28



WALL STREET: The Dow Jones industrial average closed 7.03 up at 1,777.00 Page 28

DOLLAR closed in New York at DM 2.0955; SFr 1.6925; FFr 6.7945 and Y155.40. It rose in London to DM 2.0880 (DM 2.0835); FFr 6.7725 (FFr 6.7700); SFr 1.6865 (SFr 1.6765); and to Y154.90 (Y154.05). On Bank of England figures the dollar's index rose to 111.5 from 111.2. Page 21

STERLING closed in New York at $1.4845. It gained 1.5 cents in London to close at $1.4860. It also rose to DM 3.1025 (DM 3.0650); FFr 10.0650 (FFr 9.9575); and Y230.25 (Y228.50). The pound's exchange rate index rose 1.1 to 71.8. Page 21

GOLD fell $0.25 to $359.00 on the London bullion market. It also fell in Zurich to $358.60 from $359.85. In New York the Comex August settlement was $366.10. Page 20

FRANCE is next month to launch its programme to sell off 65 state companies over the next few years. Page 2

GUYANA plans to increase by 40 per cent its annual 500,000 tonnes output of calcined bauxite, which is used in making furnaces, stills, kilns and fireplaces. Page 20

EUROPEAN Community reached bilateral agreements on clothing and textile import quotas with 17 developing countries but still has to reach accords with nine more governments by the end of the year. Page 3

BRITISH TELECOM has cut out Plessey as a supplier of telephones in favour of GEC. Page 11

PAN AMERICAN'S losses increased to $152.4m or $1.13 a share in the second quarter as the number of tourists crossing the Atlantic fell amid terrorist fears and concern about the Chernobyl nuclear accident.

KOMATSU, Japanese maker of earthmoving equipment reported a 43.4 per cent drop in pre-tax profits to Y14.25bn ($92.38m) in the half-year to June. Page 13

KANSALLIS BANKING Group, one of Finland's two leading banks, has reported a 44 per cent rise in its operating profits to FM 535m ($107.8m) for the first six months of 1986. Page 12

PETROBRAS, Brazil's largest company, reported after-tax profits for the half-year of Cz 15.28bn ($1.1bn), representing a real rise of more than 22 per cent on the same period last year. Page 11

SCHLUMBERGER, international oil services group, has reduced its stake from 10 per cent to 3 per cent in Compagnie Générale des Eaux, the large privately owned French water utility. Page 12

Oil prices soar as Opec agrees to cut production

BY RICHARD JOHNS IN GENEVA, LUCY KELLAWAY IN LONDON AND TERRY DODSWORTH IN NEW YORK

OIL PRICES leapt to $15 a barrel – a rise of almost $5 – in chaotic trading in London yesterday as the Organisation of Petroleum Exporting Countries (Opec) announced details of radical measures intended to cut production from over 20m to 16.8m barrels a day during next month and October.

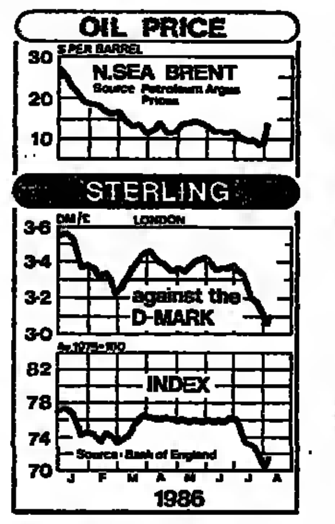
Two cargoes of Brent, the benchmark North Sea crude, changed hands yesterday morning at $15.25, against Monday's close of $10.35. Measured in percentage terms, the rise was the largest since Christmas Day 1973.

In New York crude oil contracts soared to record levels for the second day in succession.

As trading volume rose to 63,000 contracts, breaking Monday's record by almost 6,000 contracts, september prices of West Texas intermediate jumped by $1.73 to finish the day at $15.02.

In hectic early trading, West Texas, the benchmark crude on the New York Mercantile Exchange, had risen at one point to $16.50 – $4.45 above its level at the weekend.

Volumes were heavy in London and New York despite gaping spreads of up to $2 between buying and selling prices. In London, more than 30 cargoes of Brent changed hands, while on the International Petroleum Exchange, gas oil volumes reached records with more than 13,000 lots traded.



The size of the production cuts took the market by surprise with most participants having expected Opec to agree, at best to a small voluntary reduction in output.

"The market seems to have gone through a complete metamorphosis in a few hours," one trader said yesterday. "On Monday morning you could not find two traders in the world who were optimistic about this meeting, and now people are talking about $18 a barrel again."

Some analysts said, however, that the price rise had been overdone. They expressed concern that the new production ceilings would not be effectively policed, and would not remove the huge volume of crude stocks built up during the last three months.

The big questionmark over the compromise reached in Geneva was whether the 13 countries would abide by their commitments. Under the accord concluded on Monday night 12 of them will observe quotas under a pact abandoned last December. The communiqué finally issued yesterday evening emphasised that Opec had not abandoned its aim of recovering market share, which was instrumental in bringing down prices from about $30 a barrel to less than $10 in a period of little more than six months.

A special bureau is to be established in Opec's Vienna headquarters to monitor individual states' output. In addition Mr Rilwanu Lukman, Nigeria's Minister of Petroleum and current president of Opec gave an assurance that he would be regularly visiting the Aus-

Continued on Page 10

Feature, Page 8; Lex, Page 10; Commodities, Page 20

Volvo and GM consider heavy truck co-operation

BY KEVIN DONE IN STOCKHOLM AND TERRY DODSWORTH IN NEW YORK

VOLVO of Sweden and General Motors of the US have reached an advanced stage in negotiations over co-operation between their heavy truck manufacturing operations.

Both companies yesterday confirmed that negotiations were under way, but refused to give any details of the form that an eventual co-operation could take.

Volvo said yesterday: "We do not know what kind of result will come out of these talks." A statement is expected in the next couple of weeks. Discussions have covered the sharing of development costs, joint development projects, joint marketing and the exchange of products and components.

GM is facing serious problems with its truck operations in Europe as well as the US, and is still struggling to find a solution for its Bedford commercial vehicles division in Britain after the collapse earlier this year of its negotiations to take over the state-owned Leyland trucks operation.

GM executives have visited European truck makers for more than a year in the search for takeovers or joint ventures. The West European industry is thought to have capacity for producing around 600,000 heavy trucks a year with demand running closer to 400,000.

Volvo is the world's third largest manufacturer of heavy trucks (16 tonnes and above) and has established a significant presence in the US market since its takeover in 1981 of most of the truck manufacturing assets of the financially-troubled White Motor Corporation.

The Swedish concern is one of the world's more profitable heavy truck manufacturers. It holds some 9.4 per cent of the world market for heavy trucks and about 6.2 per cent of the US market for trucks above 12 tonnes.

GM has a more modest presence in heavy truck production and is understood to be keen to reduce its operations in the US, particularly in the class of 32 tonnes and above, where its market share has fallen from 17 per cent in 1980 to a little over 7 per cent in the first six months of this year.

GM is pessimistic about the growth prospects of this sector of the market, and believes that excess production capacity in the US will mean intense price and profitability pressures over the next few years. It said yesterday that it expected sales to run about 110,000 to 120,000 units a year well into the 1990s, against the recent high of 139,000 achieved last year.

If GM were to stay in this area of the market as an independent producer, it would probably need to invest heavily in a new model range. Its current vehicles are around 12 years old, and the money it has spent in recent years on its plant at Pontiac, Michigan, has been concentrated on medium duty vehicles, where the company has a strong market position and where there are more growth opportunities.

In trucks over 32 tonnes, Volvo is well behind the two US market leaders, Navistar (the former International Harvester), which had 30,000 sales last year, and Mack (24,800), the company in which Renault of France has a significant stake, and which is planning to build a new–streamlined heavy truck facility.

But with 12,000 registrations, it is now within range of Mercedes-Benz, which had 18,700 sales in 1985, Ford (14,000), and Peterbilt (12,300).

Boots to buy US drug group

BY MARTIN DICKSON IN LONDON

BOOTS, the UK retail chemist and pharmaceuticals manufacturer, is expected today to seek about £370m with a placing of shares to finance the acquisition of Flint Laboratories, a drug manufacturing subsidiary of the US company Baxter Travenol Laboratories.

This would be the largest vendor placing in the London market, just topping the £350m ($514m) raised in June by Dee Corporation, the UK food retailing group, to help fund its purchase of the Fine Fare and Shoppers Paradise supermarkets chains.

Shares in Boots fell sharply yesterday as rumours of a placing circulated in the stock market. They closed at 224p, down 19p on the day and down 29p since the start of the week.

It is believed that Rowe & Pitman, brokers to Boots, will seek to place about 180m shares – a 25 per cent increase in the company's current issued share capital – at a price of around 205p a share.

Flint, which is based in Deerfield, Illinois, is estimated to have made pre-tax profits of $33m in 1985 on sales of $50m and to have made $15m pre-tax in the first four months of this year. Its most important product is Synthroid, a US market leader in the treatment of thyroid hormone deficiency.

Boots, which has suffered from sluggish sales growth in recent years, has frequently been rumoured in the past few months as itself the possible target of a takeover bid.

The company, under Mr Robert Gunn, its chairman of a year, is known to have been on the look-out for acquisitions, in particular to build up its pharmaceuticals base, which is small by international standards.

It already has significant pharmaceuticals manufacturing and marketing operations in the US, but analyst believe it needs to build up its product range and distribution capabilities there.

Boots said yesterday that it was not prepared to comment on market rumours.

Today's placing is expected to include a large "clawback" facility, under which existing Boots shareholders will have the option to subscribe for a proportion of the shares being placed with institutional investors.

Rowntree Mackintosh buys US group, Page 10

Sterling revival muted by doubts on sanctions

By George Graham in London

STERLING recovered yesterday in the foreign-exchange markets as Opec's agreement on oil output cuts helped to reverse the previous day's collapse.

The pound made up for Monday's 3 pfg fall against the D-Mark by rising above DM 3.12 at one point. Analysts said the revival was muted, however, by political anxieties in the wake of Britain's disagreement with Commonwealth leaders over South African sanctions.

Concern over the continued strong growth of credit in the UK also helped to restrain sterling's advance and pulled it back down to close in London at DM 3.1025, up 3¾ pfg on the day. The pound remains nearly 10 per cent lower against the D-Mark than it was two months ago.

The speed of sterling's slide on Monday, following several weeks of depreciation, had made the UK Government anxious and prompted the Bank of England to intervene in support of the currency. Some traders said the Bank had intervened again yesterday.

Some depreciation to adjust to lower oil prices had been expected, but officials were concerned not to jeopardise the progress made so far in reducing inflation by allowing a sudden fall.

Political worries are expected to continue to inhibit any strong rebound in the pound's value, dealers said. In addition, sterling is likely to slip back against European currencies if the dollar resumes its long downward path, as many dealers expect.

Against a stronger dollar, sterling gained 1½ cents to close in London at $1.486. The dollar rose by nearly ½ pfg against the D-Mark to DM 2.088.

London share prices rose in response to the Opec agreement, with Shell gaining 28p to 838p and British Petroleum adding 37p to finish at 610p. The weight of oil-company shares in the FT-SE 100-share index contributed to a rise of 16.2 to 1,561.6.

Gilt-edged government securities, which had benefited from sterling's gains in the morning, fell back after the announcement of July money-supply figures, which showed heavy bank lending. Longer-dated stocks ended with gains of around 1 point.

Money markets, Page 21

SA plans new trade curbs on neighbours

BY BERNARD SIMON IN JOHANNESBURG

SOUTH AFRICA is to impose new curbs on trade with black-ruled neighbouring countries in retaliation against their support for sanctions against Pretoria, Mr Pik Botha, Foreign Minister, said yesterday.

In the wake of the licensing system on imports from Zimbabwe announced last week, Mr Botha said the Government planned to introduce an import deposit scheme on goods passing through South Africa to neighbouring countries. Pretoria is also considering stricter border controls if the security situation deteriorates.

"The inevitable consequences of extending sanctions against South Africa must be that the economies of our neighbouring states will be harmed," Mr Botha said at a press conference called to give his reaction to the Commonwealth leaders' meeting in London.

The Foreign Minister also warned that Pretoria's economic and scientific aid to black African countries would be threatened if sanctions were stiffened.

A mood of frustration and despondency hung over the country's business community at the prospect of effective sanctions against some of South Africa's key exporters.

Mine and factory closures might start before the end of the year, leaders of the coal and steel industries warned, if the EEC threat to ban imports of South African coal and steel were implemented soon.

At the same time, one of the country's foremost economic institutes, the Stellenbosch Bureau for Economic Research, said yesterday that despite falling interest rates – South African banks yesterday lowered their prime lending rates from 14½ per cent to 14 per cent – prospects for the next six months remained dim.

Many businessmen blame the Government for exacerbating their problems by digging in its heels against foreign pressure for fundamental political reforms.

President P. W. Botha's blunt rebuff of Sir Geoffrey Howe, the UK Foreign Secretary, last week is widely viewed as a contributory factor to the sudden emergence of a potentially effective package of sanctions from the Commonwealth meeting.

The Association of Chambers of Commerce said that the sanctions agreed by Commonwealth leaders were "counter-productive and potentially harmful to economic growth and employment in South and southern Africa.

"The selection of the economic measures on South African exports also seems to favour certain trading countries with whom South Africa competes," it said. Curbs on foreign

Continued on Page 10

Details and background, Page 3; Editorial comment, Page 8

Commonwealth urges US lead on Pretoria

BY ROBERT MAUTHNER AND MICHAEL HOLMAN IN LONDON

COMMONWEALTH leaders who yesterday endorsed new measures against South Africa are looking to the US to give further impetus to the international co-ordination of action against Pretoria.

Mr Bob Hawke, the Australian Prime Minister, said yesterday he hoped that, by the time EEC foreign ministers met in mid-September to consider further measures against South Africa, the US would have taken a decision which would "strengthen the hands of those in Europe who want to do more."

Sir Geoffrey Howe, the British Foreign Secretary, who has recently paid two visits to southern Africa, is due to report to his EEC colleagues on September 15 and 16 on the failure of his attempts to promote a political dialogue between Pretoria and South Africa's black leaders. The ministers will be considering a ban on imports of South African iron, steel and coal, among other measures.

In Washington yesterday congressional aides said that the decision by the six Commonwealth leaders to adopt new sanctions independently of Britain will probably increase existing pressure on Capitol Hill for new US sanctions.

The Republican-led Senate is due to vote on a sanctions package although the timing of the vote is uncertain.

Other Western governments also indicated that the outcome of the London summit had added to the

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Thatcher satisfied, Page 5

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EUROPEAN NEWS

France to launch assets sale next month

BY PAUL BETTS IN PARIS

THE French Government will select by tha middla of next month the first two or threa state industrial and financial groups to ha privatisad, thus launching its ambitious programma to sell off 65 stata companies over tha naxt few yaars, Mr Edouard Balladur, tha Economy and Finance Ministar, said yesterday.

He emphasised, howavar, that tha Government was not planning to establish a precisa calandar for tha antire programme. It wantad to maintain as much flexibility and freedom of manoeuvre as possible.

The first companiaa will be chosen from a shortlist of eight which includes two banks, two financial institutions, two insurance companiaa and two industrial groups. Paribas and Suez, the two leading French hanques d'affaires, tha Saint Gobain glass and pipes group, tha Credit Commercial da Franca (CCF) hanking group and the GAN insurance company are believed to ha among tham.

Tha Government, which wants the first batch of privatisations to he "axemplary" (in Mr Balladur's words), is expected to pick companies whose strong financial situation and significant international presence will help launch the programme successfully.

Candidates to start off tha programme are Saint-Gobain, Paribas and Suez. Tha latter two hava long axcitad tha appatites of domestic and foreign investors, whila Saint Gobain's multinational quality and haalthy financial position has made it a prime candidata. Indeed, Saint-Gobain has been gearing itself up for privatisation by reducing its substantial stake in Generale das Eaux, Franca's biggest privata watar distribution group, and appointing its financial director, Mr Jacques Henri David, as managing director.

> The Government is expected to pick companies whose strong financial situation and international presence will help launch the programme successfully.

Compagnie Ganarala d'Electricite (CGE) tha telecommunications and engineering group had baen axpected to ba among tha first industrial companies to he sol doff but the Government is now likaly to dalay its privatisetion to give it time to digest its racant agramani with ITT to set up a French-controlled telecommunications vanture which will be second in size only to AT&T.

Tha haads of nationalised groups hava haen firmly told by Mr Balladur that thay must concantrata on managing thair companiea afficiantly and enhancing thair international compatitivanaas and not involve thamselvas at this staga in privatisation. Ha made claar last Friday whan talking to the racantly appointed chairman of the 25 main groups to be privetised that the Government and not the companies would orehestrata the programme.

Bafora the and of this month, tha Government is expected to name new paopla to head the 40 so-celled secondary state groups. Once tha first companies to he privatised, have been chosen, the independent valuation commission will suggest their market value, drawing their recommendation from detailed audits. The Government will than fix the offaring prica.

At tha sama time, it is preparing to launch in tha autumn two public ralations campaigns to promote tha sale on television, radio and in newspapers. The companies will also organisa their own campaigns. Two companies are expectad to be privatised by the end of this year and a third by tha middle of next whan one or two mora may also be offared for sala.

The Govarnment is aiming to sell FFr 40bn-FFr 45bn (£4bn-£4.5bn) worth of assets a yaar since this amount is regardad as managaable for financial markats to absorb. It also favours shere ownership by the employeas of newly privatised groups as well as encouraging small French investors to buy sharas. Up to 10 per cant of tha sharas will be offerad with special incentives to employees, and small investors will be anabled to axchange certain Traasury securities for shares in privatisad companies.

The way in which Parliamant finally approved the privatisation lagislation last waek has also been e source of satisfaction for Mr Jacques Chirac, tha Prime Minister. After the unexpecied rehuff last month of President Francois Mitiarrand's rafusal to sign the decrea anabling the Govarnmant to bypass Parliamant, ba was forced to put his programme through tha National Assambly and tha Senata.

Howaver, he managad to regain tha political initiative, especialy since tha final version of tha law rainstatad several proposals which had bean droppad aarlier in an effort to compromise with Mr Mitterrand and to satisfy tha Council of State and the Constitutional Council, tha country's two leading lagal bodies.

Thus, restrictions on foreign ownership of shares in privatised companies ware easad, raising the ceiling from 15 per cant to 20 per cant. Tha Government will also he abla to own a "goldan share" giving it a vato right in privatisad groups for a pariod of fiva years.

Thase last-minute amandmants to tha law appear to hava reduced the risks of a clash with tha European Commission, which had eriticisad the original proposals as breaching EEC rulas by discriminating between French and other EEC investors.

OVERSEAS NEWS

Israel considers Soviet role in Mideast talks

BY ANDREW WHITLEY IN TEL AVIV

ISRAEL said yesterday it was willing to lat the Soviet Union participata in the first stages of an international peace conference on the Middle East, providad Moscow first reestablishas full diplomatic relations.

Describing a Soviet proposal for tha two countrias to hold talks latar this month on consular affairs as "a positive move," Prime Ministar Shimon Peres said yesterday: "Wa want cultural tias, economic ties, commercial tias."

However, Israal would not ignore the question of Soviet Jewry. The rate of emigration of Soviet Jaws — part of a community estimated at 2.5m—dropped to its lowest aver point in tha first half of 1986.

Middle-ranking officials from the two countries are to open talks in Halsinki on August 17. Speaking to students in northarn Israel, tha Israali Prima Ministar cautioned that Israel would only move at the pace of tha Soviet Union, which broke relations with Israel aftar the 1967 Middla East war.

"We're not getting overly excited . . . we want to maintain e sense of proportion," he said. "The Russians were the onas who broke off relations with us and it is up to them to renew tham."

Mr Peres: "We want commercial and economic ties"

A senior Westero diplomat in Tel Aviv yesterday noted that the Soviet Union's estrangemant from Israel had been e factor which stood in the way of its well known desire to participate in any Middle East peace conference.

With just over two months to go before he is due to hand over the reins of government to Mr Yitzhak Shamir of the Likud, Mr Peres was in an ebullient mood yesterday at this latest stroke of good fortune for him self and Israel on the international front.

Noting that the re-establishment of diplomatic relations with Spain, the summit meeting with King Hassan of Morocco we will see what they propose, the Soviet Union had all taken place recently in rapid succession, the Prime Minister said the Helsinki meeting would be another step towards breaking up other nations' reservations about contacts with Israel.

Mr Shamir, currently serving es Moreign Minister in the coalition government, was much more circumspect. He told the army radio: "At this stage, we'll see whet th eypropose, what they aay and in terms of thet we'll prepare our positions."

Norwegian hoteliers fail to win Chernobyl claim

BY FAY GJESTER IN OSLO

THE NORWEGIAN Government has refused to compensate the country's hotel and restaurant owners for loss of trade, claimed to be worth several million kroner, as a result of the Chernobyl nuclear disaster. Fall-out fears, coupled with worries about terrorism in Europe, have sharply reduced the number of US tourists visiting Norway this year.

Two trade associations bad appealed to the Transport Ministry for such assistance, pointing out that there are plans to pay compensetion to farmers and reindeer owners for produce and meat.

Mr Kjell Borgen, Transport Minister, said the Norwegian authorities could not be blamed for the fact that Americans were unwilling to visit Norway this year. On the other hand, it was direct government intervention – in the form of restrictions on sales of radioactive meat and produce – which had led to income losses to farmers and reindeer owners.

Craxi promises continuation of political stability

By David Lane in Rome

MR BETTINO CRAXI, Italy's Prime Minister, promised a continuation of political stability when he presented Parliament yesterday with the programme of his new, five-party coalition.

Ending the political crisis which erupted with the resignation of his three-year-old coalition 35 days ago, the Prime Minister emphasised the importance of political stability in dealing with Italy's economic problems.

Poland plans closer links with Israel despite Arabs

BY LESLIE COLITT IN WARSAW

POLAND is to go ahead with plans to improve relations with Israel despite objections from several Arab countries.

Mr Jerzy Urban, the Polish government spokesman, said yesterday that Poland and Israel would "very soon" implement an earliar decision to establish visa sections in Warsaw and Tel Aviv.

The Soviet Union and Israel agreed this week to begin talks in Helsinki on re-establishing consular relations. The Warsaw Pact countries, with the sole exception of Romania, broke off diplomatic relations with Israel after the six-day war in June 1967.

Diplomats in Warsaw said several Arab governments had voiced their displeasure to Poland over its plans to improve relations with Israel. Mr Tareq Aziz, the Iraqi Foreign Minister, postponed plannedvisit to Warsaw late last month.

Poland has extensive economic ties with the Arab world where tens of thousands of Poles work

Jordan aims to boost services investment

BY TONY WALKER, RECENTLY IN AMMAN

JORDAN PLANS e big increase ln investment in its servicas sector to boost jobs in the faee of serious unemployment, especially among skilled and professional employees.

In lts 1956-1990 five-year plan now baing circulated among relevant ministrles, Jordan plans to allocate 40 per cent nf total Investment of JD 3,1bn (£6.4bnl to the services sector, compared with less than 30 per cent of investment ln the previous plan.

The recesslon in tbe Arab world due to the collapse of the oll market is contributing to high levels of unemployment among doctors end engineers in Jordan. In some cases, joblessness ln the professlons exceeds 30 per cant.

The World Bank, in a 1984 study of job prnspects in Jordan, forecast unemployment ln the 1990s of more than 30 per cent, but modified that figure after Jordanlan objectlons. Present unemployment rates are ln the range of 10-12 per cent.

Other elements of Jordan's 1986-1990 plan include:

- Provision for annual real growth in gross domestic product of 5 per cent, comparad with very higb rates of growth in the past. GDP growth reached 12 per cent between 1975 and 1980.
- Plans to provide more than 200,000 new jobs during the next five years to cope with a growing population and the returo of Jordanlen workers from neighbouring Arab countries hit by the otl prlce collapse.
- A reduction in annual growth of imports to 2.8 per cent fnr goods and 3.6 per cent for services. Increases in exports at an annual rate of 8.3 per cent.
- Foreign borrowings of JD 1.04bn or 33 per cent nf gross lnvestment.

An executlve summary of the plan indicates that priority will be given to changing the structure of the economy in favour of commodity-producing sectors.

Attention, it says, is being given to agrlcultural production, expected to grow at a rate of 7.8 per cent, through increases in irrigated land and livestock productlon, and more efficlent use of agricultural inputs.

Efforts wlll also be made to boost phosphate end potash minlng, lmportant export industries. The manufacturing sector will, likewise, be expected to play a greater rnle in tho national economy through better utilisation of existing capacity.

Agriculture will receive 10 per cent of total investment in the new five-year plan compared wlth between 5 and 7 ner cant in the last two plans. Jordan will continue to pour the bulk of lnvestment into infrastructure, including water and irrigation systems, communications and transport, and social servlces.

Bush fails to negotiate agreement over Taba

By Our Cairo Correspondent

MR GEORGE BUSH, the US Vice President, has falled in an attempt to persuade Egypt and Israel to overcome their differences nn a territorial dispute in Sinai in time for an agreement to be signed while he was in the region.

Mr Bush left Cairn yesterday afternoon at the end of a 10-day Middle East tour which also took him to Israel and Jordan.

American officials worked frantically to get the two sides to initial an agreement. Mr Bush wanted progress on the vexed Taba issue to add substance to his Middle East mission which appeared to have little point beyond being e *flag-waving* exercise fnr his presidential ambitions.

Mr Bush announced that Mr Richard Murphy, the US Assistant Secretary of State for Middle East Affalrs, would remain in Egypt to help the two sides agree on details of arbitration for Taba, retained hy Israel when it handed the rest of the Sinai back to Egypt in 1982 under the terms nf the *1979 peace treaty*.

Israeli and Egyptian officials, presently engaged in a rnund of negotiations in Cairo, have heen inching towards agreement on documents to he presented to an international arbitrator.

One of the main sticking points has been the wording of the question to be put to the adjudicators. Egyptian and Israeli historical claims to the area under international law differ markedly.

US officiels have made progress in their efforts to get the two sides to compromise, but sticking points remain and the US has appeared mnre enthusiastic about securing an agreement than the two sides themselves.

Meanwhile, Mr Bush nutlined a set nf principles for settlement nf the Middle East dispute that, he said, reflected his understanding of discussions with Mr Shimon Peres, the Israeli Premier, King Hussein of Jordan, and Egypt's President Hosni Mubarak.

He reiterated his government's bellef in the importanee of direct talks between Israal and Jordan, saying the "US *believes* in the importance of face-to-face negotietions.

"We recognise that direct negotiations may involve the framework of an interoational conference or forum structured ln a way that permits progress and not paralysis; agreement not dictates."

Mr Bush said an internatlonal conference would include the participation of parties to the dispute plus the five permanent members of the UN Security Couneil, lncluding the Soviet Union.

Mr Bush said there was no reaaon why agreement could not be reacbed on some of tha outstanding Middle East questions without Syrien participation.

Delhi to create security belt along Pakistan border

BY K. K. SHARMA IN NEW DELHI

THE INDIAN Government is to go ahead with plans to take over security arrangaments in a 5 km helt all along the western border with Paklstan. Approvel hy parliament is expected to be obtained next waek on Premier Rajiv Gandhi's return to India.

Tha main reason for creating the security belt, which will be patrolled by troops and para-military forces directly controlled by the central government, is to check terrorism hy *Sikh extremists*.

The Goverument is pressing abaad with the plan in spite nf vigorous opposition to it from the Sikh Akali Party government of Punjah whosa chief minister, Mr Surjit Singh Barnala, faels other measurea should be taken to seal the border with Pakiatan. Law and order usually comes under state governments. However, under the constitution, tbe central Government can, with parliament'a approval, declare any part of the state "a protected area" and take over security arrangements there.

Evidence is growing that Sikh terrorists are operating from baaes in Pakistan and thet, after committing ects of terrorism in border districts in Punjab, they cross the border for safety.

The extremists aim is to force the Hindu minority in Punjah to migrate to adjacent states and to cause communal violence elsewhere so that Sikhs living nutside Punjab return to their parant atate.

Chinese factory raises capital by selling shares

BY COLINA MACDOUGALL

FOR THE first time in the northern Cbinase city of Tianjin and for almoat the firat time anywhere in China, a factory has begun to raise capital directly from private citizens.

Tha Tianjin bicycle plant, famous throughout China for its high quality Flying Pigeon machine, *plans to sell 10m yuan* (£1.8m) worth of what factory officials eall ahares. In fact these seem closer to a type of loan since the purchasara do not appear to own part of the company.

Tianjin, China'a third most important city, is a major industrial cantre and seaport. Until recently it seemad to lag allghtly in carrying out leader Daog Xiaoping'a economic reform policies because of its slow recovary from the disastrous 1976 earthquake.

Tbe Flying Pigeon factory has already sold 6m yuan worth of shares out of the 10m yuan worth. It did so within three bours of putting them on the markat earlier this year. The remaining 4m yuan worth will be snapped up as soon as sales begin in the next few weeks, factory nfficials beliava.

The shares are sold at e value of 200 yuan each, and each carries a ticket allowing the boldar to buy one bicycle. Higb quality cyclea are in short supply in China, and can normally ba purehased only wlth a ration card issued at the customer'a placa of work.

A fixed dividand of around 8 per cent, slightly higber than tbe Peopla'a Bank of China's deposit rata, will be paio annually. The issua is guarantaed by tbe Peopla'a Bank, said Fu Wei, head of the factory's director's office, and will be re-paid ln two years' time.

Tbe sbare certificates do not carry the owner'a name and aalling privately as face value is permitted. However, Fu Wel acknowledged that there was no way of preventing tbelr ebanging hands at higher prices.

The managamant is raising capltal thls way because bank credlt is tight thls year following the economic overheating of 1985. Investmant is needed for new workshops and equipment to improve quality and lntroduce new models.

The factory's bicycles, produced at the rate of 10,000 per day, sell in tha atorea at 140 to 200 yuan each.

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Sanctions move likely to raise US pressure

BY OUR FOREIGN STAFF

THE DECISION by the six Commonwealth leaders to go ahead with their own sanctions, leaving Britain behind, will probably add to the already strong pressure for new US sanctions on Capitol Hill, Congressional aides said yesterday.

It is still not certain, however, whether the Republican-led senate will be able to vote on a sanctions package before it starts its August recess at the end of next week. The Democrat-controlled House of Representatives has already passed a sweeping sanctions bill, severing virtually all US commercial ties with South Africa.

Congressional aides said yesterday that the Commonwealth action would probably not change any votes in the Senate, where sanctions supporters were already hoping for a two-thirds majority, but that it should add to the general momentum building behind the package.

Other Western governments yesterday acknowledged that the outcome of the mini-summit had added to the growing pressure for sanctions.

West Germany's centre right government, whose resistance within the European Community to sanctions has been matched only by that of Britain, now increasingly accepts that some form of co-ordinated economic action against South Africa is inevitable.

Similar views came from spokesmen in France, Japan, the Netherlands and Scandinavia.

In Bonn, the main impact of the London summit has not been the open rift between Britain and the six other participants, but rather that for the first time, however, reluctantly, Mrs Thatcher has declared that she would do nothing to block any EEC ban on imports of coal, iron, steel and Krugerrands from South Africa.

Such a decision could be taken in mid-September, when Sir Geoffrey Howe, the British Foreign Secretary, is due to report on his mission to southern Africa, undertaken on the Community's behalf. Efforts to initiate a dialogue between black and white failed.

Although Chancellor Helmut Kohl disapproves of economic sanctions, maintenance of that stance would leave Bonn totally exposed within the EEC. Hitherto the West Germans, whose £2bn investment in South Africa is third only to that of the US and Britain, have been able to allow London to take the main fire for refusing to take action.

But Mr Juergen Moellemann, Minister of State at the Foreign Ministry, said yesterday that without movement by Pretoria, the Community would not be able to avoid a decision if it was to maintain its credibility.

"We all have our doubts about the effectiveness of sanctions. But sometimes you have to take other points of view into account and decide on measures which also have their disadvantages," he said.

Japan, South Africa's second largest trading partner, will "almost certainly observe sanctions agreed by the West, according to Government officials, who said Japan would co-ordinate with the US and the EEC on any new measures. Local newspapers said Tokyo might announce a ban next month on iron and coal imports and on tourists and flights from South Africa.

French officials pointed out that Mr Jean-Bernard Raimond, the Foreign Affairs Minister, had more than once expressed his regrets that firmer sanctions had not been adopted so far. France has always been in favour of adopting sanctions against South Africa, although Mr Jacques Chirac, the Conservative Prime Minister, recently questioned their usefulness.

The Dutch Government welcomed Mrs Thatcher's decision not to stand in the way of EEC action on iron, steel and coal.

EUROPEAN COAL supplies are likely to be most disrupted if, as seems increasingly likely after the mini-summit, the EEC goes ahead with its co-ordinated package of sanctions against South Africa, writes Tim Dickson in Brussels.

Figures from the European Commission yesterday showed that Community imports of coal from South Africa in 1985 accounted for Ecus 1.27bn ($875m) by value—between a fifth and a quarter of total EEC coal imports. Italy and France are South Africa's biggest customers in this respect, followed by West Germany and Denmark.

These countries will presumably be able to find alternative deliveries from the other main sources—notably the US, Australia and Poland.

A ban on iron and steel imports, on the other hand, would be less serious from the Community's point of view. South Africa accounts for only Ecus 424m of the more than Ecus 10bn of imports into member states last year. Germany with a Ecus 147m share is comfortably the biggest taker.

A Commission official pointed out however: "You can find these products on the market everywhere at the moment."

As for gold coins, Krugerrands represent just over Ecus 142m of the total Ecus 404m imported by the EEC last year. The Germans, Belgians and Luxembourgers spoke for almost all the South African element, after Britain's unilateral ban.

Total EEC gold imports from South Africa were Ecus 1.743bn in 1985.

Total Community imports from South Africa (including Spain and Portugal) amounted to Ecus 9.1bn in 1985, with exports of Ecus 5.54bn.

Separate figures from the Commission show that between 1980 and 1984 net new investment by EEC countries in South Africa (excluding Britain) rose from Ecus 337m to Ecus 482m. Direct investment by the UK (excluding oil companies) totalled Ecus 504m in 1983.

EEC-SOUTH AFRICA TRADE, 1985 (US$m)

	Total imports	Imports from S. Africa
Coal	4,226.4	969
Iron and Steel	7,687.9	324
Gold Coins	306.5	108.6

Conciliatory Thatcher fails to convince

By Peter Riddell, Political Editor

ONE OF Mrs Thatcher's most remarkable qualities is her resilience. Just after midnight yesterday morning, after two days of gruelling discussions, she looked relaxed and in command as she faced a half-hour Press conference and then a further hour of radio and television interviews.

Her tone was conciliatory, unlike at the Nassau conference last October, when she infuriated other Commonwealth leaders by vividly pointing out how little she had conceded. This time she sought to minimise divisions. The contrasting measures put forward by Britain and other Commonwealth countries merely reflected different perspectives, obligations and degrees of involvement with South Africa, she said.

The Prime Minister was yesterday understood to regard the outcome of the mini-summit as "very satisfactory." Certainly there was no walk-out, nor any departures from the Commonwealth, and listening to her, no one might think that other participants were portraying her as isolated and out of step.

But other impressions were different. Insults ranged from Mr Rajiv Gandhi's assertion that Britain had given up the moral leadership of the Commonwealth, to President Kenneth Kaunda's description of her performance as "very pathetic."

These barbs may, of course, do Mrs Thatcher little harm at home. Opinion polls show the public is divided on the merits of sanctions but this does not mean that voters are particularly concerned about South Africa. In so far as the public cares, it may, on balance, favour Mrs Thatcher's views, particularly in the light of popular dislike of the withdrawals from the Commonwealth Games. Populist sentiment has also been stirred up by mass market papers against one-party black African states threatening Britain.

Mrs Thatcher has also preserved the unity of her own party on the issue. Although many Ministers and backbenchers have reservations about her occasionally strident tone, there has been more public unity than many party leaders initially feared. Only about two or three dozen have rebelled.

Yet there are still major questions about Britain's negotiating position. A case can be made for its consistency, at least as envisaged by the Foreign Office since last autumn, based on the threat of limited measures to signal disapproval of the Pretoria regime unless it took major steps to start internal negotiations.

Yet Mrs Thatcher's public remarks have given the appearance of inconsistency.

At the same time as stressing the damaging nature of sanctions, Mrs Thatcher claims what credit she can for Britain's limited measures. They will, she says, have a bigger practical effect than the longer Commonwealth list because of the UK's close ties with South Africa.

One senior Minister recently remarked that Mrs Thatcher at times appeared to be more opposed to sanctions than to apartheid. Whether or not she can sustain her policy depends primarily on international developments—not only in South Africa but also in the US, where the Congress is due to agree a package of measures and in the EEC, where there may be pressure to go further than what was proposed in The Hague in late June.

By elevating Britain's treaty obligations to the EEC over historical ties to Commonwealth Mrs Thatcher has implicitly accepted the pace of pressure as determined by her European Community partners.

Army spoils fun as politicians prevaricate

Robert Mauthner reports on manoeuvres inside and outside the conference hall

FOR A mini-summit it was quite a little conference. For a start, it ended half a day early, a rare event indeed for an international meeting with so much at stake. To celebrate this achievement, the final statements were even more hilarious than usual — except to the ears of their authors of course.

If Prof A. J. Ayer, author of "Language, Truth and Logic" should ever revise his celebrated work, he could well include a number of choice examples from this conference to illustrate the imprecision with which words are used.

Thus we were told, not by one Commonwealth leader but by six, as well as by that renowned word-smith Sir Shridath "Sonny" Ramphal, the Commonwealth Secretary-General, that Commonwealth unity had actually been reinforced by the fundamental disagreement between Britain and its partners.

Mrs Thatcher made her own particular contribution to the stream of logical contradictions that emanated from the gilded salons of Lancaster House and the considerably more seedy premises of the Old Bath Club, where the press centre was located.

Having argued for months, if not years, that she was opposed to economic sanctions because they did not work in practice, the Prime Minister maintained that Britain's two mini-sanctions would have a much greater impact than the long list of sanctions adopted by the other six, because of the UK's more important economic ties with South Africa.

What is more, all this was said with a straight face. What certainly was not a laughing matter was the manner in which the British Army impinged on the conference, as if they did not have enough to do in Northern Ireland.

For reasons best known to the Home Secretary or the C-in-C Southern Command, the Old Bath Club, which possibly owes its name to the water which constantly drips through the ceilings on unsuspecting journalists, was over-run by military policemen and — to make matters worse—military policewomen. Not just ordinary MPs, with their red peak caps, so beloved by national servicemen of old, but their space age equivalents in camouflaged battle-dress and red berets.

They had, it is true, been instructed in the more polite forms in which civilians normally address each other, instead of the more robust language spoken in Aldershot barracks. But that — together with Mrs Thatcher's voluntary ban on new investment and tourism promotion—was the only concession made on Monday.

The astonished journalists were commanded, herded and marched to press conferences like so many new recruits, and then only if they had the right ticket tied to their lapels, which changed colour every day and for every event.

It was hardly more fun inside the conference hall, if one or two of the Commonwealth leaders, who shall be nameless to protect their safety, are to be believed. In an effort "to keep the temperature down" the leaders were reported to have spoken in such hushed tones that Sir Lynden Pindling, the Bahamian Prime Minister and chairman, frequently had to tell them "to speak up."

One who found little difficulty in doing so, to no-one's surprise, was the Prime Minister of the United Kingdom, but she also irritated more than one of her colleagues by constantly interrupting their contributions to the debate.

It took the seven leaders one afternoon to establish that the progress made by the South African Government towards dismantling apartheid since the last Commonwealth Heads of Government meeting in Nassau in October 1985 had been "inadequate." It took them another morning to make sure that no-one had misunderstood each other's position and another two or three hours to decide that "they would agree to disagree."

Before that fateful moment, between 5 and 6.30 pm on Monday afternoon, Mr Bob Hawke and Mr Brian Mulroney, the Australian and Canadian Prime Ministers, were despatched by their colleagues to see whether Mrs Thatcher was prepared to play a last card—even if it was only a two of clubs.

But they found the Prime Minister adamant and everyone adjourned to the manicured lawns of Marlborough House for cocktails, happy in the knowledge that the Commonwealth had emerged strengthened from the experience. "A good result," one British official said.

In the steamy atmosphere of the Old Bath Club ringed by armed guards, the assembled members of the world's press breathed a sigh of relief that they would be able to don their civvies and go on leave soon.

Investment curb dismissed

By Fiona Thompson and Chris Cragg

BRITISH INDUSTRY yesterday shrugged off as irrelevant the Government's proposed voluntary ban on new investment in South Africa.

"It won't have a great deal of effect. There is very little investment going on," said Mr Neil Forster of the British Industry Committee on South Africa, a group of 50 companies with South African interests formed earlier this year at the instigation of the Confederation of British Industry and the UK/South African Trade Association.

No major projects were under way at the moment, Mr Forster said. The commercial risks were too high.

Many companies involved in South Africa were unsure exactly what the ban would mean in practice. The Department of Trade and Industry would only say yesterday that it was "considering the manner in which to operate it" and hoped to know by the end of the week.

The Government-run Export Credits Guarantee Department said it too was not entirely sure how it would be affected by the ban. There was "not much demand" for insurance of new investments in South Africa, but there was no question of a British ban on export credits.

Barclays, which has a 40.4 per cent stake in South Africa's largest banking group Barclays National Bank, said the voluntary ban "by and large will not affect us at all."

The bank has persistently stated since March that it did "not intend to commit new investment to South Africa, until the regime gains international credibility."

Hill Samuel, one of the leading foreign institutions arranging loans for South Africa last year, said: "In practice, there is a virtual voluntary ban on further investment on strictly commercial grounds." The merchant bank itself has not yet any direct investment into the country in the past 17 years.

Shell, with substantial coal and refining interests in the country, said: "We do not know exactly what the new measures will be, but for many years now Shell South Africa's capital requirements have been met out of its own cash generation and local loan finance and the company has not required an injection of group funds."

MINI-SUMMIT LEADERS CRITICISE BRITAIN

Front-line states plan strategy meeting

BY ROBERT MAUTHNER AND MICHAEL HOLMAN

OFFICIALS FROM the front-line states, the group of six black-ruled countries in southern Africa, will meet shortly in the Angolan capital of Luanda to discuss the implementation of Commonwealth measures against South Africa, including the ban on air links, President Kenneth Kaunda of Zambia said yesterday.

Dr Kaunda, speaking at a press conference in London, gave no further details.

Dr Kaunda, one of the seven Commonwealth leaders who attended a two-day mini-summit on South Africa, criticised Mrs Margaret Thatcher's refusal to support a wide-ranging package of new measures against Pretoria which the other six leaders have recommended to the rest of the Commonwealth.

Mrs Thatcher cut a "very pathetic picture" at the summit, said Dr Kaunda, accusing the Prime Minister of being committed to the defence of British interests in South Africa "at the expense of her fellow human beings."

"This is a very sad day when the Commonwealth can fail to act unanimously on an issue of this grave importance because a British Prime Minister has failed to realise the importance of this critical hour," said Dr Kaunda.

The president paid an unexpected tribute to Sir Geoffrey Howe, the British Foreign Secretary, who led the EEC's recent initiative to start political dialogue in South Africa.

Sir Geoffrey reported on his mission to the London mini-summit and gave what Dr Kaunda called a "fantastic" briefing.

"If Mrs Thatcher cannot listen to us, she must listen to her foreign secretary," Dr Kaunda told the press conference.

Mr Bob Hawke, the Australian Prime Minister, said yesterday Mrs Thatcher was undermining Britain's long-term economic interests by her refusal to support the wider list of sanctions adopted by other Commonwealth countries.

"The point I was trying to convey to her, more than anything else, was that I, and most of us, accepted the validity of her concern for British economic interests in South Africa," Mr Hawke said in an interview.

"But that very concern, if properly analysed, is one which should lead to increased and meaningful sanctions, because there is no doubt that the tide of history is not going to stand still in South Africa."

Mr Hawke said the leadership of the African National Congress and the African front-line states was still essentially moderate, but might not remain so.

Mr Rajiv Gandhi, the Indian Prime Minister, told another press conference yesterday that Britain was no longer the leader of the Commonwealth as a result of its rejection of its partners' proposals for sanctions against South Africa.

Describing the measures taken by Mrs Thatcher's government—a voluntary ban on new investment and on South African tourism promotion—as "almost insignificant," Mr Gandhi said Britain was losing its position in the Commonwealth because "it is compromising on basic values and principles for economic ends."

The Indian Prime Minister said there had been no row at the Commonwealth review conference, only disappointment. "We are disappointed because Britain has traditionally stood for certain principles and values—human rights, dignity and democracy."

The six Commonwealth members which had agreed on the Nassau list of sanctions had not discussed any retaliatory measures and India had no intention, as was reported last week, of abrogating its most-favoured-nation treatment of Britain in respect of trade.

Mr Robert Mugabe, the Zimbabwean Prime Minister, fiercely attacked Mrs Thatcher, and hinted that Zimbabwe might take action against British interests in his country as the result of Britain's refusal to adopt more effective sanctions against South Africa.

At an early morning press conference in Lancaster House, Mr Mugabe said: "Britain has let the people of South Africa down—that is our judgment.

"I wish to register my utter dismay and bitter disappointment with the position taken by Britain at this summit. That position will not bring comfort and consolation to the hearts of many in South Africa. They see in Mrs Thatcher's stand support for apartheid. So do we, the front-line states.

"We will have to examine in our own way and in our own situation whether those who support apartheid, who also have interests in our own countries, must be allowed to get away with it, without their interests being adversely affected."

Mr Mulroney, while showing less open hostility to Mrs Thatcher, nevertheless stressed what he saw as the logical inconsistency of her position.

Referring to his meeting with Mrs Thatcher in Canada two weeks ago, Mr Mulroney said: "Mrs Thatcher said no sanctions at any time because they were immoral. Now the government of the UK has endorsed sanctions. This is a serious move which I applaud."

Trevor Humphries

Forging new alliances: Mr Bob Hawke, the Australian Prime Minister, and Mr Robert Mugabe, premier of Zimbabwe, in earnest discussion after the mini-summit.

Israeli delegation set for trade talks with S. Africa

BY ANDREW WHITLEY IN TEL AVIV

A TOP-LEVEL Israeli delegation is to hold wide-ranging economic talks with the South African authorities later this week.

Heading the delegation will be Dr Emmanuel Sharon, director general of the Finance Ministry, the country's top Treasury official. Also participating will be representatives of the Ministry of Industry and Trade and the government's Chief Scientist's Office, which funds research projects in South Africa.

The talks, which will take place within the framework of a long-standing agreement with Pretoria to hold annual consultations on bilateral economic matters, highlight Israel as a potential weak link in the chain of international sanctions against South Africa.

Israel's official policy—as enunciated by the Foreign Ministry—is to go along with "meanstream Western opinion" in whatever sanctions are decided upon. But the wide range of responses within the Western world to the sanctions call has given Jerusalem considerable room for manoeuvre.

This week's discussions were scheduled to take place two months ago, but were postponed because of the internal turmoil in South Africa leading up to the declaration of a state of emergency.

Privately, Israeli officials recognise the political risk the government is taking by going ahead with what would normally be routine economic discussions at this sensitive stage. "We should not be going now. In the end, we're going to have to pay a heavy price for this," one Trade Ministry official commented.

According to the Finance Ministry, one issue to be discussed this week is the possibility of increased South African investment in Israel.

The wealthy South African Jewish community has special exemption fro mtheir country's foreign exchange controls in respect of remittances and other financial transfers to Israel, an important inflow of funds the Israeli Government is keen to maintain.

Other issues on the agenda are fishing rights for Israel's deep-sea fleet in South African waters and an Israeli interest in obtaining cheaper credit for its coal imports from South Africa.

Banks ease prime lending rate by half point

BY BERNARD SIMON IN JOHANNESBURG

EFFORTS BY the South African Government to inject new life into the depressed domestic economy have led banks to lower their prime lending rates from 14.5 per cent to 14 per cent.

The drop in interest rates follows growing liquidity in domestic financial markets and a half-point cut in the reserve bank's discount rate earlier this week. The prime rate has fallen steadily since reaching a peak of 25 per cent at the end of 1984. Short-term interest rates are at their lowest levels in three years.

One of the country's foremost economic institutes, the Stellenbosch Bureau for Economic Research, said yesterday that despite falling interest rates and other measures to stimulate the economy, prospects for the next six months remain dim.

The bureau said South African business and consumers were "grappling with a confidence crisis" caused by domestic and international political uncertainty, rising unemployment, falling living standards, high inflation, continuing capital outflows and the emigration of skilled workers.

Tourist board 'mystified' by voluntary ban

By David Churchill

"WE'RE MYSTIFIED by the Government's pronouncement," the South African Tourist Board in London said yesterday. "We have no idea how they are going to apply a voluntary ban on the promotion of tourism to South Africa."

The UK is vitally important to South Africa's tourist industry, providing the largest single source of tourists outside of neighbouring African states. Last year, some 123,654 Britons visited South Africa on holiday, a slump of some 11 per cent on 1984.

Major UK tour operators to South Africa acted swiftly yesterday to comply with the Government's statement. Kuoni Travel, a Swiss-owned company, immediately cancelled all holiday trips to South Africa, although it is still selling flights to South Africa unconnected to holidays.

'The Commonwealth cannot stand by and let the cycle of violence spiral'

An extract from the communique issued by the Commonwealth heads of government review meeting on Monday night

We have considered the adoption of further measures against the background of the EPG's conclusion that the absence of effective economic pressure on South Africa and the belief of the South African authorities that it need not be feared are actually deferring change. We acknowledge that the Commonwealth cannot stand by and allow the cycle of violence to spiral, but must take effective concerted action.

We are agreed that one element of such action must be the adoption of further measures designed to impress on the authorities in Pretoria the compelling urgency of dismantling apartheid and erecting the structures of democracy in South Africa.

In doing so, we have looked particularly at the measures listed in paragraph 7 of the Accord which some of us at Nassau had already indicated a willingness to include in any consideration of further measures. But we have looked as well to other measures under consideration elsewhere in deciding on the adoption of further measures, we recognise that if they are to have maximum effect they should be part of a wider programme of international action.

The British Government's position is set out (below). The rest of us have agreed as follows:

(a) The adoption of further substantial economic measures against South Africa is a moral and political imperative to which a positive response can no longer be deferred.

(b) We ourselves will therefore adopt the following measures and commend them to the rest of the Commonwealth and the wider international community for urgent adoption and implementation:

(i) all the measures listed in paragraph 7 of the Nassau Accord, namely;

- A ban on air links with South Africa;
- A ban on new investment or reinvestment of profits earned in South Africa;
- A ban on the import of agricultural products from South Africa;
- The termination of double taxation agreements with South Africa;
- The termination of all government assistance to investment in, and trade with, South Africa;
- A ban on all government procurement in South Africa;
- A ban on government contracts with majority-owned South African companies;
- A ban on the promotion of tourism to South Africa.

(ii) the following additional measures:

- A ban on all new bank loans to South Africa; whether to the public or private sectors;
- A ban on the import of uranium, coal, iron and steel from South Africa;
- The withdrawal of all consular facilities in South Africa except for our own nationals and nationals of third countries to whom we render consular services.

(c) While expressing both concern and regret that the British Government does not join in our agreement, we note its intention to proceed with the measures mentioned below.

THE COMMONWEALTH

MINI-SUMMIT

(d) We feel, however, that we must do more. We look beyond the Commonwealth to the wider international community. We will, therefore, immediately embark on intensive consultations within the international community with a view to securing concerted international action in the coming months, our emphasis being on those countries that presently sustain a significant level of economic relations with South Africa.

The British Government while taking a different view on the likely impact of economic sanctions, declares that it will:

- Put a voluntary ban on new investment in South Africa;
- Put a voluntary ban on the promotion of tourism to South Africa;
- Accept and implement any EEC decision to ban the import of coal, iron and steel and of gold coins from South Africa.

As a further element of our collective commitment to effective action, we have requested the Secretary-General with assistance from our Governments to co-ordinate the implementation of the agreed measures and to identify such adjustment as may be necessary in Commonwealth countries affected by them.

We renew the call we made at Nassau on the authorities in Pretoria to initiate, in the context of a suspension of violence on all sides, a process of dialogue across lines of colour, politics and religion with a view to establishing a non-racial and representative government in a united and non-fragmented South Africa. If Pretoria responds positively to this call and takes the other steps for which we called in paragraph 2 of the Nassau accord, we stand ready to review the situation and to rescind the measures we have adopted if appropriate; and to contribute in all ways open to us, to an orderly transition to social, economic and political justice in South Africa and to peace and stability in Southern Africa as a whole.

On the other hand, we are equally mindful of our further commitment at Nassau that if in a reasonable time even these further measures have not had the desired effect, still further effective measures will have to be considered. We trust that the authorities in Pretoria will recognise the seriousness of our resolve. Acts of economic or other aggression against neighbouring states by way of retaliation or otherwise will activate that resolve.

Regretting the absence of full agreement but recognising that the potential for united Commonwealth action still exists, we agree that the seven Governments will keep the situation under review with the view to advising whether any further collective Commonwealth action, including a full Heads of Government meeting, is desirable. We are conscious that the situation in South Africa may evolve rapidly and dangerously. We believe the Commonwealth must retain its capacity to help to advance the objectives of the Nassau accord and be ready to use all the means at its disposal to do so.

Meeting in London at a time of heightened strains within our association, we take the opportunity to renew our own firm commitment to the future of the Commonwealth and to the aims and objectives which have guided it over the years. We are fortified in this renewal by the spirit of frankness in friendship which characterised our discussions and our belief that they have helped to light a common path towards fulfilment of our common purpose, namely, the dismantling of apartheid and the establishment of a non-racial and representative government in South Africa as a matter of compelling urgency.

AMERICAN NEWS

Sarney advisers split in row over inflation

BY IVO DAWNAY IN RIO DE JANEIRO

A ROW over the compilation of Brazil's inflation statistics has driven a wedge through the ranks of the Government's inner circle of economic advisers.

The dispute has put the Sarney Administration in an acute dilemma over whether to insist on having its way over how the consumer price index is compiled and live with accusations of "dictatorial" behaviour and intellectual dishonesty, or to allow increases that could threaten its economic programme.

The argument centres on how the now "compulsory loans" element in last month's fiscal package of economic adjustment measures are interpreted. These loans were applied at the rate of 30 per cent on new cars and 28 per cent on car fuels.

Under the loans system, money raised for the treasury will be deposited in a new investment agency, the National Development Fund, and will be repaid as quotas or shares in three years time. However, the Government has not undertaken to honour these shares, but only to allow them to be traded in the stock market.

Critics of the loans claim they are little more than disguised taxes as the money has to be paid now and there are no firm guarantees of their full reimbursement. But, more serious for the Government, have been the efforts of Mr Edmar Bacha, President of the national statistical office and a key contributor to the original inflation-busting Cruzado plan to have the loans incorporated in the inflation statistics.

But the move was crushed by Mr Dilson Funaro, the Finance Minister and his close colleague Mr Joao Sayad, Planning Minister. Both men were aware that incorporation of the loans could raise monthly inflation figures

Alfonsin plans sweeping reform of labour laws

BY TIM COONE IN BUENOS AIRES

THE GOVERNMENT of President Alfonsin has revealed plans for a sweeping reform of labour legislation in Argentina, aimed at reducing the strength of the powerful opposition trade union federation the CGT. The federation groups the majority of salaried and wage labour in the country.

The plans would throw the focus of wage disputes back onto management rather than the government. In addition existing government wage controls are expected to be abandoned by the end of the year and replaced by negotiating "hands." These establish a ceiling and floor to wage increases, and will be included in a series of new collective agreements between managements and employees.

A "social peace" will be included in the collective agreements in which the unions will forego strike action during the period of the agreements.

In the event of "severe prejudice" to the economy by a strike and in the interest "of maintaining essential services" the Government may order strikers back to work or outlaw strikes in certain but as yet unspecified, areas of the economy.

However, more far-reaching proposals on limiting the right to strike based on a principle that the right to strike "may not affect other rights of superior or equal importance" have been left out of the existing package of legislation so as not to stir up, at this stage at least, excessive union opposition to the overall reforms.

To sweeten the legislation's expected rough passage through Congress, the Government is also proposing to introduce worker-directors onto the management boards of state and private enterprises, and to enforce an "open-books" policy on managements to reveal vital financial information and planning goals to their workforces.

US may be unable to defend Gulf oil fields

US troops performed well in simulated Middle East combat against a mock Soviet force last week, but they probably could not defeat a determined Kremlin drive to seize Gulf oil fields, Pentagon officials say, Reuter reports from Washington.

The 35,000-man exercise, code-named Gallant Eagle, tested army, marine corps, air force and navy units of the US Defence Department's central command in the blistering heat and choking dust of Southern California's Mojave desert, which officials said closely resembled likely Middle East battlefields.

If Moscow decided it was willing to pay the price in casualties to seize Middle East oil fields, it could probably roll over any central command force which stood in its way, a Pentagon Middle East specialist said.

Faced with defeat in such a situation, Washington would have to decide whether to use nuclear weapons, other Pentagon analysts said.

That prospect is sobering to Defence Department planners, who said in interviews they expected a Soviet drive to seize the oil fields in the event of any major war.

They said Kremlin troops in the Soviet southern regions, facing Iran and Turkey, had been reorganised from a defensive army into a major offensive force of some 384,000 troops, 5,400 tanks, 3,600 artillery pieces, 9,000 armoured personnel carriers and 1000 tactical jet aircraft.

It was unclear how many troops a US central command force might have, if Arab states requested it to defend them. But the Americans probably would be heavily outnumbered.

After Soviet forces moved into Afghanistan in December 1979, President Carter said the the US would go to war, if necessary, to defend Gulf oil fields. President Reagan has reaffirmed that commitment.

A drop in world petroleum prices has taken the spotlight off potential US-Soviet conflict in the Gulf. But Pentagon planners still see the region as a potential superpower flash point. The predict the price of oil will begin rising again

David Gardner in Ixtapa previews the Group of Six disarmament summit

A challenge to the superpowers on arms

A SIX-NATION nuclear disarmament summit opens in the Mexican Pacific resort of Ixtapa today with the quixotic idea of breaking the superpower monopoly over the arms control agenda.

The summit is the second meeting of the leaders of the so-called Group of Six—India, Mexico, Sweden, Argentina, Greece, and Tanzania—which in May 1984, issued simultaneous calls for those countries possessing nuclear arsenals "to halt all testing, production, and deployment of nuclear weapons and their delivery systems, to be followed immediately by substantial reductions in nuclear forces."

In January last year, the Group held its first summit in New Delhi, which called for a halt to nuclear test programmes and the use of outer space for offensive purposes, in a clear reference to President Reagan's Strategic Defence Initiative (SDI).

Since last October, the Group has seized on the Soviet Union's voluntary test moratorium, and offered its services to both super-powers to help verify and extended moratorium, which it hopes could become a permanent ban covered by a formal treaty.

Julius Nyerere

Rajiv Gandhi

Mexican diplomats say the date of today's meeting was chosen to coincide with the anniversary of Hiroshima and with the expiry of the Soviet Union's deadline on its unilateral moratorium on nuclear testing.

The Ixtapa meeting, they say, is expected to come up with a concrete offer to verify nuclear arms testing, which they hope could be an item for discussion in a second summit meeting between President Reagan and Mr Mikhail Gorbachev, the Soviet leader, if and when it takes place.

Diplomats from the six countries are hard-pressed to point to any concrete achievement that has emerged from the group's initiative, but believe they may have helped in changing the international climate in the lead-up to last November's Gorbachev-Reagan meeting in Geneva.

They argue that they are carrying out a much-needed exercise in reviving international sentiment against nuclear weapons proliferation and bringing pressure to bear on the superpowers.

The leaders of the six countries attending the summit are Mr Rajiv Gandhi, Prime Minister of India; President Raul Alfonsin, of Argentina; Mr Andreas Papandreou, Prime Minister of Greece; Mr Ingvar Carlsson, the Swedish Prime Minister; President Miguel de la Madrid, of Mexico and Mr Julius Nyerere, the Tanzanian leader.

Their first task on arrival here on Tuesday was to inaugurate a plaza in the neighbouring resort of Zihuatanejo in memory of Olof Palme, the Swedish Prime Minister who was assassinated in January. At their last meeting in New Delhi, the six had already lost one of their moving spirits, following the assassination of Mrs Indira Gandhi.

Security measures, as a consequence, are among the tightest that Mexico has ever attempted, with a substantial portion of the Mexican Navy lying offshore, constant air surveillance, and large contingents of marines, army, police and the secret services, providing blanket coverage of the two resorts.

In the run-up to the meeting, the Mexican hosts organised a series of roundtable discussions on the nuclear arms issue with internationally known personalities ranging from John Kenneth Galbraith, the US economist, to Mr Gabriel Garcia Marquez, the Colombian novelist.

They also revived the history, and reproduced the documentation of the Tlatelolco Treaty, which proscribes nuclear arms in Latin America.

The treaty, agreed in 1968, is one of Mexico's major diplomatic successes and was its principal architect, the Mexican diplomat, Mr Alfonso Garcia Robles, the Nobel peace prize in 1982.

The Tlatelolco Treaty is clearly germane to the sort of initiative being discussed here—if on a different scale—and much stress has been placed on its verification provisions. But the focus of the treaty seems also partly designed to obscure the failure of the Contadora peace effort in Central America, Mexico's second major attempt so far to make an impact on the region.

Mexican loan worries banks in Japan

By Ian Rodger in Tokyo

JAPANESE BANKS are extremely unhappy about the prospect of participating in a new \$6bn (£4bn) loan for Mexico being organised by the International Monetary Fund (IMF).

The banks are seeking an increase in the 5 per cent ceiling on provisions for bad debts as a quid pro quo for agreeing to participate in the new loan, Mr Yob Kurosawa, deputy president of the Industrial Bank of Japan, said.

He said that most of the banks had already reached or exceeded this ceiling.

The participation of the Japanese banks would probably be about \$900m, Mr Kurosawa said. The 30 banks that had already lent money to Mexico were uneasy about lending new funds to enable it to pay interest on old loans, he added.

He conceded however that the banks could hardly withdraw from the new loan. "They (Mexico) need the money," he said.

NYC finds new anti-drug tactic

BY TERRY DODSWORTH IN NEW YORK

NEW YORK drug enforcement officials have discovered a new weapon in their all-out war against "crack," the highly-concentrated derivative of cocaine which has taken the illicit drug market by storm this summer.

Instead of simply prosecuting people found in possession of the drug, they are confiscating their cars—and threatening to keep them for ever.

The new tactic is the result of a brainstorming session between City and Federal officials desperate to find ways of tackling a drug problem that seems in danger of reaching epidemic proportions in some parts of the city. Someone—no one is saying who—recalled that under a 1970 civil law the authorities can confiscate property used in a drug deal. Private cars, it was decided, fitted that category.

Up to now, the law has been used exclusively against hard-core drug dealers, and it is not clear how easy it will be to make it stick in court. But Mr Rudolph Giuliani, the hard-driving, campaigning US attorney in Manhattan, says that a review of the law confirms that it can be used in cases of this kind.

Moreover, it will not be easy for the accused to win back possession of their cars. Under the civil regulations governing the seizure of vehicles, the Government only has to show a preponderance of evidence that the property was used in a drug transaction. In criminal cases, the prosecution has a more difficult job, since it has to prove its case beyond reasonable doubt.

About 50 cars have already been seized by the police, and Mayor Ed Koch, who knows a popular issue when he sees one, has suggested that officials should set a target of around 5,000 vehicles for the full year. The Mayor has offered to provide adequate city parking for the cars.

The people whose cars have been seized will also face drug possession charges, so the car seizure is only an additional deterrent. But officials believe that it will be a particularly effective one because of the particular characteristics of a large element of dealing in crack.

One of the main centres for buying the drug is in the Washington Heights area of north west Manhattan, where well-to-do New Jersey residents drive over the George Washington bridge and pick up the drug from street corner dealers without ever leaving their cars. These customers are mainly middle class, and many of them are in their teens or early 20s, driving cars which they have not paid for or which belong to their parents. The seizure of a vehicle from a New Jersey resident, living in sprawling suburbia with only limited public transport, means not only an economic loss, but also significant restrictions on freedom of movement.

"If you come to New York to buy crack, be prepared to take the bus back," said Mr Benjamin Ward, the New York Police Commissioner, when he announced the new policy.

Yeutter defends attempt to push up currencies

THE REAGAN Administration's efforts to persuade Canada, Taiwan, South Korea and other countries to push up their currencies against the dollar were defended yesterday by Mr Clayton Yeutter, the US Trade Representative, AP-DJ reports from Washington.

Mr Yeutter sidestepped questions on whether the dollar should decline further against the Japanese yen or major European currencies to help reduce the US trade deficits, but he said the US has every right to raise policy questions with other US trading partners on why adjustments have not taken place.

In cases where currencies of other nations have declined along with the dollar over the past year or so, "then we should sit down and discuss exchange rates with those nations."

Mr Yeutter, who has often said the dollar should decline to help reduce the US trade deficit, said he would leave it to Mr James Baker, Treasury Secretary.

WORLD TRADE NEWS

New player enters forfait market

By Alexander Nicoll

A NEW competitor this week entered the discreet world of forfaiting — a form of trade finance in which exporters receive cash in return for discounted bills.

Kaines Forfaiting, which began operating on Monday with a staff of eight in London, is headed by Mr Peter Elliott, previously executive director of Midland Bank Aval. It also has offices in Geneva, New York and Singapore.

The business is a division of Kaines (UK), set up this year by three former executives of Philipp Brothers, the commodity trader. Kaines is 60 per cent controlled by British and Commonwealth Shipping, the fiancial services and transport group of which Mr John Gunn, formerly of Exco International, is a director.

Kaines has built up a staff of over 100 and specialises in trading physical commodities including oil, softs and metals.

Because the forfait market is very private, estimates of size can be little more than guesses. Mr Elliott believes about \$15bn (£9.8bn) of new business is being done worldwide each year and that this is expanding. Three London-based houses are seen as the most active traders.

They are Hungarian International Bank, a London subsidiary of National Bank of Hungary which for two consecutive years recently had a return on capital making it the most profitable foreign-owned bank in London; London Forfaiting, a subsidiary of Exco; and Midland Bank Aval, owned by the UK clearing bank.

Forfaiting has been chiefly used to finance exports of goods to Eastern European and developing countries which often seek longer payment terms than are common for trade within the West.

For exporters, forfaiting is an alternative to obtaining official guarantees from export credit agencies. Forfaiters buy trade bills or promissory notes at a discount from the exporter, paying cash when the exports are shipped. The exporter then has no credit risk if the importer fails to pay. The risk is spread and traded around the forfait market in a manner similar to the reinsurance market.

Nancy Dunne looks at sentiment in the US before the crucial vote on the Jenkins bill

Reagan faces growing pressure from textile lobby

A FEELING of betrayal is running through the US textile industry. That betrayal stems from the Reagan Administration's acceptance last week of the new Multi-Fibre Arrangement (MFA).

Mr George Wino, chief economist of the American Textile Manufacturers Institute (ATMI) is one of those incensed at the new textile accord.

"It's so murky," he argues, "we don't even know what products are really covered."

Like others in the industry and those in the footwear and copper businesses, Mr Wino has pinned his last, best hopes, on Congress.

But he makes no predictions about the vote in the House of Representatives today to override President Reagan's veto of the highly protectionist Jenkins Bill.

Mr Wino believes that possible retaliation from those countries affected by the legislation would not prove a deterrent to those seeking to override the President's veto.

"Retaliation? Against what?", he asks. "No country in surplus is going to retaliate, and what country isn't in surplus with us? Retaliation? That's a smokescreen."

The Senate has not yet scheduled any time for an override vote. It will not be necessary if the Administration can once again hold the line in the House against the surging strength of the protectionist forces.

On Monday, Mr Thomas "Tip" O'Neill, the House Speaker, said he had the two-thirds vote needed to override the President's veto.

But he warned that the President was calling Congressmen to the White House, as he has so successfully in the past, to avoid last-minute defeats.

The counter-attack on the Jenkins Bill began last week when Mr Clayton Yeutter, US Trade Representative, announcing the MFA settlement, denounced as "complete nonsense" and "political fodder" accusations from Capitol Hill that US negotiators had "caved in" during the talks.

President Reagan added his voice to the debate when he devoted his weekly radio address to the subject.

"Instead of closing markets at home, we've opened markets to US products abroad, thus helping to create more American jobs," he said.

"Instead of erecting destructionist import barriers, we're tearing down foreign barriers to make trade freer and fairer for all."

On Monday, Mr Yeutter announced a four-year bilateral agreement with South Korea, limiting growth of its textile imports to 0.8 of 1 per cent a year.

It follows similarly tight curbs on import increases from Taiwan, Hong Kong and South Africa, and Mr Yeutter admitted that he hoped Congress had given keen consideration to these moves.

Textile forces, however, have been concentrating their fire on the MFA, insisting that Administration claims of a victory are "a sham." If their arguments are convincing, then the President is indeed in serious trouble.

In December, President Ronald Reagan vetoed legislation protecting the textiles, clothing, copper and footwear industries, Nancy Dunne writes.

It had passed the Senate in November by a vote of 60 to 39 and the House had given its approval by a 255-161 vote.

In order to override the veto, 67 senators and 290 Congressmen must vote for the bill.

The Jenkins Bill, as it has come to be called, would reduce textile imports from Hong Kong, Taiwan and South Korea, the big three exporters, by a maximum of 30 per cent.

Shipments would be frozen at 1984 levels from China, Japan, Pakistan, Indonesia, India, the Philippines, Thailand, Brazil and Singapore.

The measure would also limit shoe imports to 60 per cent of the domestic market for the next eight years and would require the President to negotiate voluntary production restraint agreements with the copper-exporting nations.

He has been sent a letter signed by 70 Senators and 302 house members who threaten to vote to override the veto if the Administration produced "an unacceptable (MFA) negotiation." Such numbers would be sufficient for the veto to be overridden.

Mr Dewery Trogdon, President of ATMI, said the US had three goals in the MFA talks: to develop a mechanism to control import surges; coverage of products made of fibres in addition to cotton, man-made fibres and wool, and opening up foreign markets to US exports.

"They failed miserably in all three areas," he said. "With respect to import surge control, they got nothing.

"The coverage of additional fibres is so filled with loopholes that it will be virtually meaningless, and with respect to opening markets, there is some vague language saying everyone ought to try harder.

Mr Malcolm Baldrige, US Commerce Secretary, has been trying a different tack. Conditions in the industry are improving, he says, and it no longer needs help.

Textile employment is up 4 per cent this year; production is up 11 per cent; exports up 14 per cent, and profits up by 100 per cent, he said.

His figures, however, are based on the first quarter of this year over the first quarter of 1985 when the industry recession was at a trough. Mergers have improved the profitability picture, but it could prove to be only a temporary condition.

According to figures released by the Commerce Department, textile and clothing imports for the first six months of the year shot up by 22 per cent over the same time last year to their highest level ever.

These figures, combined with the \$170bn (£111bn) trade deficit, will be a powerful argument for Congress voting for the Jenkins Bill.

In the House, those who are seeking to override the veto have acquired some unexpected support: Mr Trent Lott, the minority whip, and the National Corn Growers Association. Mr Lott voted against the Jenkins Bill last year, but is reported to be planning to run for minority leader and his backing for the Bill is a popular move.

The National Corn Growers, bitter about lack of Administration support for agriculture exports, have left the traditional farmer's free-trade coalition.

Mr Clayton Yeutter

The association said its members considered the question of possible retaliation, but maize exports to South Korea, Taiwan, China and Japan have declined so far that they decided that "the major Asian grain importing countries . . . have already retaliated against US grain exports."

They feel they have nothing to lose by supporting the Jenkins Bill.

When President Reagan has previously had his back to the wall, he has pulled off many a stunning victory. Such is his reputation for invincibility, that few will bet against him. But a vote overriding his veto can no longer be considered impossible.

HK warns Washington

A US Congress vote overriding President Ronald Reagan's veto of the Jenkins bill would jeopardise the newly negotiated Multi-Fibre Arrangement (MFA), Mr Hamish Macleod, Hong Kong's top trade negotiator, said yesterday, AP-DJ reports.

Mr Macleod, the colony's director of trade, said that both a new bilateral textile trade agreement between Hong Kong and the US and the extension of the MFA would suffer if Congress overrides President Reagan's veto of the bill. The effect on everything was very difficult to forecast, he said, but it was difficult to see how any of these things could survive unscathed.

Hong Kong was one of the biggest textile suppliers to the US last year. Total textile exports from Hong Kong to the US amounted to \$3.2bn (£2.1bn).

Brussels reaches pacts with 17 countries

THE European Community has reached bilateral agreements on clothing and textile import quotas with 17 developing countries, a senior EEC executive commission official said yesterday, Reuter reports.

However, he said further accords still have to be settled before the end of this year with nine other governments, including the two major Asian clothing exporters, Hong Kong and South Korea. Talks with Hong Kong, which broke down last month, are expected to resume on September 8.

Mr Jean-Pierre Leng, the EEC's chief negotiator, said no date had been fixed for talks with India.

A new Multi-Fibre Arrangement (MFA) was finally agreed in talks in Geneva last week. It is designed gradually to lead to freer world trade in textiles.

Mr Leng said the EEC was pleased that the new MFA allows flexibility in reaching the bilateral accords.

The EEC was using this flexibility to negotiate more generous agreements with the least-developed nations while seeking to be more restrictive in pacts with more successful clothes producers. In the case of Hong Kong and South Korea, this had led to difficulties.

Mr Leng added that an accord with Guatemala was reached on Monday night, and he hopes to see agreements with Haiti and Mexico soon.

Tough stance in 'pasta war'

BY TIM DICKSON IN BRUSSELS

THE EEC and the US appeared to be adopting a tough negotiating stance yesterday as the elusive search for a settlement to the transatlantic "pasta war" continued.

US officials in Brussels, meanwhile, indicated that Mr Clayton Yeutter, the US Trade representative, whose discussions with the EEC's external trade commissioner, Mr Willy de Clercq, yielded little last Saturday and Sunday, may be planning to resume talks next weekend.

But yesterday Mr Yeutter rejected the EEC's idea of a "truce" in the dispute.

"We can't accept a continuation of a status quo," Mr Yeutter said. The Reagan Administration's Economic Policy Council (EPC) could decide as early as next week on another round of retaliatory trade actions against the Community.

The US believes its citrus producers are harmed by a series of trade agreements between the EEC and various Mediterranean countries.

Mr Yeutter's next visit to Brussels could be arranged ahead of a long-standing meeting with Brazilian representatives which he is due to attend in Paris next Monday.

The Americans continue to see details of the proposed tariffs and quotas on citrus and the offered reduction in EEC subsidies on pasta exports as inadequate.

If the US steps up retaliation, EEC ambassadors have made clear that the Community would react on a "tit for tat" basis selecting products from a range including oranges, grapefruits and avocados.

US-Swiss air accord

THE US yesterday announced an aviation accord with Switzerland that US officials said would be likely to lead to cheaper fares on some transatlantic flights, Reuter reports.

Mr Jeffrey Shane, the US Deputy Assistant Secretary of State for Transportation, said the accord meant Switzerland had given up its right to determine fares paid by passengers travelling there from the US.

Fares as much as 60 per cent below the normal rates would be approved automatically for travel in both directions, another break from the past, Mr Shane added.

China stake in Australia smelter

BY EMILIA TAGAZA IN CANBERRA

CHINA HAS acquired a 10 per cent share in an A\$1.1bn (£493m) aluminium smelter project in Australia. The purchase, made by the China International Trust Investment Corporation (Citic) and signed yesterday, represents the single largest overseas investment by the Chinese Government.

Citic first showed interest in the project in the middle of last year but the complex nature of the financing for its purchase twice delayed the signing of the deal.

The other partners in the smelter, in Portland in the state of Victoria, are Alcoa of Australia with 45 per cent, the Victoria State Government with 45 per cent, and First National Resources Trust with 10 per cent.

The project has an annual capacity of 300,000 tonnes. Citic's share of the output will be marketed by the Chinese.

Its 10 per cent equity entitles it to 15,000 tonnes in 1987, when the first potline is expected to come on stream, and 30,000 tonnes when the second is completed in 1988.

Financing for Citic's equity, arranged by a syndicate of banks led by Bankers Trust Australia, was designed with China's foreign exchange constraints in mind.

Bankers Trust said the completion of Citic's investment will pave the way for other Chinese investments in Australia.

● ARMTECH, the Australian firearms manufacture, has won a \$350m (£228m) contract to supply 1m of its ART30 military assault rifles to Greenhorn, a Hong Kong trading company, Reuter reports from Adelaide.

UK NEWS

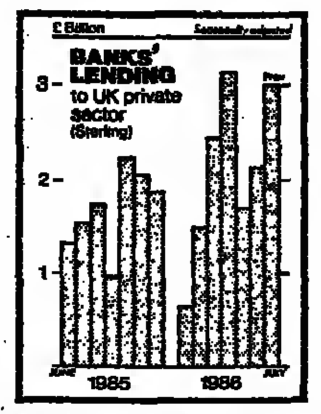
Rise in lending revives money growth worries

BY GEORGE GRAHAM

A SHARP rise in bank lending last month renewed concern over the rapid rate of monetary growth in the UK, although the Government's officially targeted measures of the money supply increased only modestly during the month.

Sterling M3, the measure of broad money, is provisionally estimated to have remained unchanged or risen by up to ¼ per cent in the four weeks to July 16, the Bank of England said yesterday.

Bank lending to the private sector, however, rose by a seasonally adjusted £3bn, compared with an average of £1.9bn in the preceding six months.



That could have been reflected in a much larger rise in sterling M3, but the Government's sales of debt to the private sector exceeded its borrowing requirement, which contracts the broad money supply. A further contractionary factor was the £714m rights issue by National Westminster Bank.

The annual rate of increase in sterling M3 still climbed to 19¼ per cent, well in excess of the official target range of 11 to 15 per cent, since the money supply fell in July 1985 in the wake of the heavily subscribed Stock Exchange flotation of Abbey Life, the insurance group.

Lending by the clearing banks rose by £1.8bn last month, according to separate figures published yesterday by the Banking Information Service, although the underlying rise is estimated at only £250m after allowing for the normal seasonal effect of quarterly interest charging.

Mortgage lending by the clearing banks rose by a record £670m, and lending to most other sectors also rose strongly. Although advances to manufacturers increased by only £223m, those companies financed themselves by issuing greater volumes of commercial bills.

"Any vague talk of a bank base-rate cut will disappear on the back of bank lending this strong," commented Mr John Shepperd, economist at broker Rowe & Pitman, Mullens. Economists have been concerned that the high and accelerating level of bank lending might feed through into a potentially inflationary increase in consumer spending.

Among the counterparts to the change in sterling M3, the public-sector borrowing requirement was expansionary to the extent of £200m, offset by £900m of debt sales to the non-bank private sector and £600m of external and foreign-currency finance of the public sector.

Other counterparts, which include banks' foreign-currency transactions and net non-deposit liabilities such as NatWest's rights issue, were contractionary by £1.6bn.

Mo, the narrow measure of money, comprising mainly notes and coin, rose by an estimated ¼ per cent in banking July, bringing its annual rate of growth to 3 per cent, in the lower half of its 2 to 6 per cent target range.

● Falling oil prices may flatter the official inflation statistics, but a rebound in the price of petrol might make the Retail Price Index (RPI) look worse than it is next year, according to London stockbroker Hoare Govett.

The RPI is at present showing that inflation has fallen to 2.5 per cent a year, but if oil and petrol are excluded from the index, the rate would be 3.4 per cent.

Stock Exchange lifts curbs on companies raising share capital

BY CLIVE WOLMAN

THE STOCK Exchange Council decided yesterday to remove nearly all the restrictions on companies raising equity capital in ways other than through rights issues.

Companies applying for a quotation on the main market or on the Unlisted Securities Market (USM) will also benefit from a substantial relaxation of the exchange's requirements.

The council's decision, which was strongly opposed by the investor protection committees of the pension funds and insurance companies, opens the way for companies to make greater use of methods of raising capital which do not give their existing shareholders the right of first refusal for the new shares.

The new rules, which will probably take effect in October, are expected to lead to reduced reliance on the traditional system of underwriting new issues.

In January, the Stock Exchange issued a discussion document that foreshadowed most of the changes decided yesterday. In one respect, however, there has been a retreat from the liberalisation measures indicated in January. Companies being floated on the main market will be allowed to raise a maximum of only £15m through a private placing rather than a public offer for sale, which is a fairer but more expensive method. A £5m limit will apply to USM-floated companies.

At present, the limit on private placings is £3m. But the January document proposed raising it to £25m, a measure that was also opposed by the investor protection committees.

When offers for sale are valued at less than £15m, the company will be required to publish a full prospectus in only one national newspaper, rather than in two as at present, and a formal notice in one other newspaper.

The freedom of a company's management to make new equity issues on a non-pre-emptive rights basis must be subjected to approval each year by shareholders, normally at the annual meeting. Nearly all the restrictions that apply at present to vendor placings, where new shares are issued to the shareholders of another company that is being acquired by the issuer, are to be lifted.

An acquisition and share issue that increases the size of the issuing company beyond recognition will be disallowed, however.

Chase Manhattan cracks down on Simon and Coates stags

BY NICK BUNKER

FIFTY-THREE years in the garment trade have left the name of Windsmoor, the Tottenham-based ladies' quality fashion manufacturer, untarnished by scandal. Untarnished, that is, until the afternoon of Tuesday, July 22.

For its chairman, Mr Brian Green, an Oxford-educated chartered accountant, the first whiff of trouble came when a colleague told him of rumours reported in that day's evening newspaper. They concerned not Windsmoor itself but the commencement of Stock Exchange dealings the previous Thursday in its 22m shares, brought to the market by an offer for sale through Chase Manhattan Securities.

Chase Manhattan confirmed this week that those rumours were substantially true. The story was that employees of Simon and Coates, one of Chase's two stockbroker subsidiaries, had subscribed for Windsmoor's shares, then unloaded 500,000 on to the market.

Their motive? To make a stagging profit from the 7p premium at which Windsmoor peaked on that first day, before falling 1p back to close at 112p. The firm's senior partner, it is said, was away on holiday at the time.

Buoyed up by a 58 per cent leap in pre-tax profits, which rose to £2.83m last year, Windsmoor had decided to seek a Stock Exchange listing. After asking around, Mr Green said, they settled on Chase Manhattan Securities as their issuing house.

Referring to this week's admission by Chase Manhattan, Mr Green said yesterday: "I would like it made absolutely clear that we knew nothing about this. The first thing we heard was what we read in the papers. We are very unhappy about it."

Through Lord Redesdale, its corporate communications director, Chase Manhattan said on Monday that some of its employees had been involved in "errors of judgment."

Their profits – after the computation of each individual's tax liability – will be turned over to Chase, and donated to an as yet unnamed charity. They have not been disclosed, but are said to be about £25,000-£30,000.

City opinion yesterday was that Windsmoor fell victim not to a breach of the law – for what happened was not insider trading, and was perfectly legal. Rather, it suffered because of a grey area surrounding stockbrokers' rules about dealings on their own account by employees.

According to Lord Redesdale, there was "some degree of ambiguity" in the rules Chase had laid down.

Part of the ambiguity may come from lack of clear guidance for firms from the authorities. Yesterday, the Stock Exchange said it had no rules specifically governing employees' dealings in new issues such as Windsmoor's.

The Securities and Investments Board, the City's new watchdog, is not expected to produce draft rules on personal account dealings until late this month, according to Ms Kate Mortimer, its policy director.

Meanwhile, the responsibility for preventing cases like Windsmoor tends to devolve on to one man in each firm – the dealing partner, guided by rules that may vary considerably.

At Wood Mackenzie, Mr John Chiene, the senior partner, said: "All staff dealings have to be given prior approval by the dealing partner. Client orders take automatic precedence and staff dealings go to the back of the queue."

Written into contracts of employment, the rules discourage stagging, Mr Chiene says – and make it impossible to stag on one of Wood Mackenzie's own issues, by forbidding staff who subscribe to sell their shares for at least six months.

The point is that stagging on a firm's own issues produces an automatic conflict of interest. A broker cannot simultaneously seek the best price for a new issue like Windsmoor's and sell stock himself in the hope of a quick profit.

Mini-summit outcome satisfies Thatcher

BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET THATCHER, Prime Minister, regards the outcome of the London mini-summit as very satisfactory despite the strong criticism of her stand both by other Commonwealth leaders and by opposition parties in Britain.

In a series of radio and television interviews before she went into hospital yesterday evening for an operation on her right hand, the Prime Minister expressed satisfaction with the communiqué. She said: "The result is reasonable for all concerned and we finished up as friendly as we started."

She played down differences and talk of her isolation, emphasising Britain's role in the EEC over its place in the Commonwealth. She said the communiqué recognised that "countries in the Commonwealth have a different interest in South Africa and, therefore, the measures that we have taken are appropriate to us and the measures that they have taken are appropriate to them."

None the less, she made clear her considerable reluctance to agree that Britain would "not stand in the way" of an EEC agreement next month on banning imports of South African, steel, iron and coal.

The Prime Minister said, significantly, that if South Africa took "some of the steps we wish to see, like releasing Nelson Mandela, unbanning the African National Congress, then we will review the situation and possibly rescind the measures thet we have so far taken. That is a real carrot and something for them to look forward to."

While Mrs Thatcher carried the Cabinet with her on her negotiating stance, some ministers are concerned that the possibility of tough measures to be agreed by the US Congress might increase pressure on the EEC, and Britain, to move further.

Mrs Thatcher, however, sought to dampen expectations of further action in arguing: "There is quite a long time factor in being able to assess the effect of the things that are being proposed." Similarly, Sir Geoffrey Howe, the Foreign Secretary, argued for a longer-term perspective, warning against "the Jericho" school of diplomacy, "which believes that one final trumpet blast will bring the whole thing down."

The measures were strongly attacked yesterday by Labour. Mr Neil Kinnock, the Labour leader, described Mrs Thatcher's position as "contemptible." He said the Prime Minister was isolated from the Commonwealth and would "soon be stranded by the actions on sanctions to be taken by the US Senate.

"While she will try to slow down the European response, several Common Market countries have already shown that they understand the need to impose strict and substantial sanctions on apartheid," he said. Labour will not, however, be pressing for the recall of Parliament during the summer recess.

For the Alliance, Dr David Owen, the Social Democratic Party leader, said Mrs Thatcher had placed Britain in a position "where we get the worst of both worlds." He said Britain would gain no good will and would instead earn the ill will of friends and allies.

Dr Owen argued that Britain could have led the ban on direct intercontinental flights, but now British Airways and British Caledonian would see their landing rights under threat around the world.

'Final warning' by IRA to security contractors

ANYONE INVOLVED in administration, maintenance and building work at army and police installations in Northern Ireland would be regarded as "legitimate targets," the Irish Republican Army (IRA) said yesterday in what it called a final warning.

In a statement that marked a significant widening of its campaign against civilian security-force contractors, the IRA named British Telecom and Standard Telephones and Cables as being responsible for supplying intelligence-gathering equipment to the army and the Royal Ulster Constabulary.

Mr Tom King, Secretary of State for Northern Ireland, said all necessary steps would be taken to ensure that the IRA campaign failed. It is clear that the IRA believes it has hit on a weak spot that will further raise tensions as the province prepares for another round of traditional summer marches this weekend and next week.

□ SIX DRIVERS employed by TNT, the company that distributes News International's newspapers, were recommended for union expulsion by regional officials of the Transport and General Workers' Union. They are accused of ignoring an instruction not to cross picket lines at Wapping, east London, where print unions are in dispute with the company.

□ A SOUTH WALES-based chemical company is paying its industrial employees extra money in return for their agreement to maintain the length of their working week at 40 hours. The agreement between Dow Corning, a US-owned chemicals company based in Barry, and three unions, including the TGWU transport workers, the AEU engineering workers and the EETPU electricians', is an unusual indication of the pressure on companies for changes in working time.

□ STATE social-security funds might gain up to £150m a year if arrangements were made to recover benefits payable to injured people who also qualified for legal damages in tort for up to five years from the date of an accident, according to a report from the National Audit Office.

□ LONDON Underground is considering an investment programme to cope with the largest number of passengers it has ever carried. The most likely short-term solutioo to carrying the increased volume of passengers will be to invest in new trains. The 782m passengers carried last year were the most since the previous record in 1948.

□ RISING productivity and a slight slowdown in pay rises should cut the rate of increase in unit labour costs to 3 per cent next year, according to predictions from Staniland Hall, London-based business forecasters.

□ MR SANDY McLACHLAN has died at the age of 41. A versatile financial journalist, he spent nearly seven years with the Financial Times as chief financial news writer and then as a feature writer. In 1976, he moved into public relations and subsequently became deputy editor of Financial Weekly. At the time of his death, he was a senior executive with the public relations firm Dewe Rogerson.

□ MR GORDON POPHAM, managing director of the merchant bank Schroders and head of its investment division, has died. He was 59.

FT COMMERCIAL LAW REPORTS

Compensation claim arises when expense is incurred

YORKSHIRE ELECTRICITY BOARD v BRITISH TELECOMMUNICATIONS PLC AND OTHERS

House of Lords (Lord Bridge of Harwich, Lord Brandon of Oakbrook, Lord Brightman, Lord Mackay of Clashfern and Lord Ackner): July 29 1986

WHEN A statutory body inflicts damage on property owned by another while engaged in lawful street works, and so becomes statutorily liable to compensate the owner for expenses incurred in making good, the time in which the owner may claim compensation begins to run from when the expenses are incurred, and not from when the damage occurs.

The House of Lords so held when allowing an appeal by the Yorkshire Electricity Board from a Court of Appeal decision (FT, May 24 1985) that the time within which it could bring an action against British Telecommunications PLC for compensation for expenses incurred in making good electric cables damaged by Post Office contractors, had expired.

Section 26(6) of the Public Utilities Street Works Act 1950 provides: "Operating undertakers shall pay to owning undertakers compensation equal to the expense reasonably incurred by the owning undertakers of making good damage to apparatus . . . caused by the execution lawfully of works . . . of the operating undertakers . . ."

* * *

LORD BRIDGE said that the electricity board owned two underground cables beneath a road in Leeds. In 1971 contractors damaged the cables while laying ducts for the Post Office.

The cables must have been damaged by May 13 and July 6 1971 respectively. The board made good the damage in August 1976. On May 4 1978 it issued a writ against the Post Office claiming to recover the cost of making good, pursuant to section 26 of the Public Utilities Street Works Act 1950.

A preliminary issue was tried as to whether the board's claim was statute-barred. The question was whether a cause of action under section 26(6) accrued as soon as damage was done, or only when the undertakers incurred the expense of making it good.

A statutory cause of action created by a requirement that operating undertakers "shall pay" accrued when and not before the obligation to pay arose. Thus if the owning undertakers never made good the damage, no payment would ever be due.

The enacting words appeared, in their ordinary meaning, to create a cause of action which first accrued when owning undertakers reasonably incurred the expense of making good damage to their apparatus. The Court of Appeal concluded that the statutory cause of action accrued as soon as the apparatus was damaged.

There were numerous provisions in the Act which required undertakers to pay others an amount equal to the cost reasonably incurred (see sections 12 (3) and 12 (5)). Common to those provisions was the use of "amount of" or "amount equal to" and "cost reasonably incurred."

It was rightly conceded by British Telecom that those "amount" provisions created a statutory cause of action to enforce payment which accrued only when the cost had been incurred. The use of "compensation," it was argued, pointed to the intention of the legislature to create a cause of action accruing when the damage was done, not when it was made good.

Two other subsections in the Act were parallel to section 26 (6) and in contrast with the amount provisions. Section 18 (1) provided that if damage was caused to the property of a street authority "the undertakers shall pay compensation . . . equal to the expense reasonably incurred . . . of making good . . ." Section 19 (1) provided that if damage was caused to a bridge "the undertakers shall indemnify . . . against expense reasonably incurred . . . of making good . . ."

There was a number of respects in which the compensation and indemnity provisions in sections 18 (1), 19 (1) and 26 (6) were distinguished from the amount provisions. Sections 18 (1), 19 (1) and 26 (6) were subject to a proviso to the effect that operating undertakers should not be liable "in respect of damage" which would not have been sustained but for misconduct or negligence on the part of the owning undertakers.

Lord Justice Robert Goff, delivering the Court of Appeal judgment attached great importance to the use in the proviso of "in respect of . . . damage" in conjunction with "compensation" in the body of the subsection, as identifying the liability as one to pay "compensation in respect of damage."

His Lordship disagreed, first, because "in respect of damage" was accurate whether liability arose when damage was done or when the expense of making good was incurred, and was thus of no significance. Secondly, the same reasoning was incapable of application to section 19 (1) which made it clear that liability was to "indemnify . . . against expense."

A second feature which distinguished the compensation and indemnity provisions from the amount provisions was that disputes arising from the latter were referred to arbitration and disputes arising from the former were not.

The evident explanation was that questions arising out of the amount provisions would be factual and technical and eminently suitable for determination by a civil engineer as arbitrator. On the other hand difficult questions of fact and law might arise under sections 18(1), 19(1), and 26(6), more suitable for determination by the courts.

A third feature which distinguished the compensation and indemnity provisions from the amount provisions was that the former were subject, whereas the latter were not, to a code designed to prevent duplication of claims.

The Court of Appeal attached primary importance to anomalies which, it was said, resulted if alternative grounds of liability preserved under sections 18, 19 and 26 accrued at different times.

The Court of Appeal attached too much importance to the anomalies. If an enactment gave a right to recover expenses incurred, or imposed an obligation to pay expenses incurred or an amount equal to expenses incurred, the statutory cause of action accrued only when the expenses were incurred, notwithstanding that the event occasioning the necessity to incur expenses might have given rise to a different cause of action by statute or common law, accruing at some earlier date.

The Court of Appeal could see nothing offensive in construing section 26 (6) as providing that the cause of action accrued when the damage occurred, even though it was not possible for the owning undertaker to quantify his damage until a later date.

In actions for damages for negligence the plaintiff who obtained judgment was already entitled to recover damages and the court, if asked, could quantify those damages immediately. But owning undertakers who obtained judgment before damage to their apparatus was made good would be in no position to quantify their entitlement to the expense reasonably incurred in making good.

The concept of a judgment finally determining liability in favour of a plaintiff who might in the event be entitled to recover nothing was surely unacceptable.

The argument presented to and rejected by Mr Justice Glidewell was that the necessity for the board to incur the cost of making good before it could prove its case did not prevent the cause of action from accruing when the damage occurred.

In Sercon v Lucas [1986] 2 WLR 462, 467 Lord Mackay said: "The true principle . . . is that time runs generally when a cause of action accrues and that bars to enforcement of accrued causes of action which are merely procedural do not prevent the running of time . . ."

The argument relied on before Mr Justice Glidewell was not sustainable since it could not seriously be suggested that the necessity for owning undertakers to incur the expense of making good before they could recover under section 26(6) could be described as a bar to enforcement of an accrued cause of action which was merely procedural.

British Telecom had placed great weight on the fact that in section 26(6), as in section 18(1), the legislature had chosen to use "compensation" instead of "amount" as an indication that a different kind of liability was being imposed by those subsections than by the amount provisions.

The language used in sections 26(6) and 18(1) must be considered in conjunction with that used in section 19(1). Language creating an obligation to "pay compensation . . . equal to the expense reasonably incurred" in the one case, and to "indemnify . . . against expense reasonably incurred" in the other, must have been used with the intention that they would have the like effect.

The only possible effect was to create a statutory cause of action accruing when expense was incurred. The appeal should be allowed.

Their Lordships agreed.

For the board: Alan Fletcher QC and Ion Croxford (William F. Prior & Co for R. C. Moorhouse & Co, Leeds).

For British Telecom: Viscount Bledisloe QC and Nicholas Underhill (P. G. Ashcroft).

For the contractors: John Samuels QC and Caroline Budden (Willey Hargrave, Leeds).

By Rachel Davies
Barrister

APPOINTMENTS

New Milford Docks directors

Three directors of the Swansea-based B.J. Group are to join the board of the MILFORD DOCKS COMPANY. They are Mr Terry Francis, Mr Michael James and Mr Robert Davies. That move signals an advance by Milford into property as an extension of its leisure interests. The company has 150 acres freehold land in the dock area. B.J. Group is one of the largest property-investment and development groups in South Wales. Mr Francis and Mr Michael Davies will be joint chief executives of the Milford Company.

*

After the election of Mr Geoffrey Parker as executive chairman of European Ferries Group, two changes have been made to the senior management structure of the PORT OF FELIXSTOWE. Mr Parker remains chairman of the port, a wholly owned subsidiary of European Ferries. He has resigned as managing director at Felixstowe and his place is taken by Mr G. Blackhall, formerly deputy managing director. Mr Robin MacLeod, formerly operations director, becomes deputy managing director.

*

BRIDON has appointed Mr Anthony C.R. Elliott as a non-executive director. He is a director of S.G. Warburg & Co.

*

ANTON, domestic appliances distribution arm of Unigate, has appointed Mr Simon Butler as director and general manager. He was executive director of BICC Vantrunk.

*

ASSOCIATED NEWSPAPER HOLDINGS has appointed Mr Brian Park as director of corporate affairs. A former chief reporter of the Daily Mail and assistant editor of the Evening News, Mr Park will be assisted in this new department by Major Vyvyan Harmsworth.

*

FOCUS IN EDUCATION has appointed as directors Mr Talbot Hainault (chairman), Mr Ivo Bondy, Mr Peter Bucknall, Mr Maurice Plaskow and Mr Leslie Ryder.

*

INWARD, the agency for attracting investment into North-west England, has recently appointed Sir Francis Kennedy and Mr Peter Hemingway to its board. Sir Francis recently retired from the post of director-general of trade and investment, US, the senior commercial post in the UK's overseas service. Mr Hemingway, who will be Inward's treasurer, is the area manager, North-west England, of the Royal Bank of Scotland.

*

Mr Brian Bannister has become ports and service director, LANSING HENLEY. He was with Hestair Dennis.

NISSAN UK has appointed Mr Michael J. Hunt, a co-founder and shareholder, as assistant managing director. He was director and general manager. Mr Stan Cholaj becomes assistant managing director from October. He joins from Thorn EMI Ferguson, where he was commercial director.

Mr Peter Schneider has been appointed managing director of IGE CREDIT CORPORATON, British subsidiary of General Electric Credit Corporation of the US.

*

IVORY & SIME has made the following appointments to new subsidiary companies: Ivory & Sime Pensions - chairman, Mr David Nichol; directors, Mr John Evans, Mr Alex Hammond-Chambers, Ms Marrianne Hay, Mr Richard Muckart, Mr Allan Munro and Mr Gavin Rennie; and company secretary, Mr Ian Paterson-Brown; Ivory & Sime Investment Trusts - chairman, Mr Ian Rushbrook; directors, Mr Hammond-Chambers, Ms Isobel Hunter, Mr Robert Randall, Mr David Ross and Mr Mark Tyndall and company secretary, Mr David Ross. Ivory & Sime International - chairman, Mr Pascal de Salaberry; directors, Mr Neil Dunn, Mr Hammond-Chambers and Mr Richard Newbery; company secretary, Mr Keith Hannay. Ivory & Sime Management Services - chairman, Mr Garth Ramsay; directors, Mr Hammond-Chambers and Mr Ross, who is also company secretary. Mr Hammond-Chambers, who sits on each of the boards, is chairman of Ivory & Sime.

*

Mr W.G. Underwood, a director of AP Bank, has been appointed a non-executive director of HAYMILLS HOLDINGS.

*

PILKINGTON BROTHERS is introducing a "sector" approach to its main areas of activity. In restructuring its electro-optical division, the company has appointed Mr Robin McEwen King as managing director of the newly formed communications sector. He will be responsible for the management of Pilkington Communication Systems at Rhyl, North Wales, and Pilkington Communication Systems Inc, Simi Valley, California. In addition, he will act as a link with C & P Technologies Inc, a financial communications company in which Pilkington has a 25 per cent shareholding.

*

Mr Leslie Broadhurst has been elected chairman of the UNITED KINGDOM PROVISION TRADE FEDERATION.

*

Dr Clive Smith has been appointed technical director of DCE GROUP, Leicester. He was divisional director and general manager of Peabody Holmes.

*

Mr N.A.D. Sharvell has been appointed managing director of INTERNATIONAL MILITARY SERVICES in succession to Mr E.E. Bridgen. Mr Sharvell was operations director. Mr G.L. Bradbury has been elected to the board as finance director and Mr C.M. Chandler as a non-executive director. IMS is a private limited liability company, wholly owned by the Ministry of Defence. Its role is to secure and discharge export contracts for UK defence equipment.

*

ALLEN BUILDING, Wigan, has appointed Mr Richard Bryce-Smith to the board. He was marketing manager.

*

PRESTWICK HOLDINGS has appointed Prof Neil Hood as a non-executive director. He is dean of the Strathclyde Business School.

*

Mr Donald Mack, chairman of M. AND W. MACK, is relinquishing his responsibilities as joint managing director. He is succeeded by his son, Mr Christopher Mack.

*

Mr E.B.O. Sherlock was elected chairman of the LIFE ASSURANCE AND UNIT TRUST REGULATORY ORGANISATION (Lautro), which will seek recognition as the body to regulate marketing. Mr J.S. Fairbairn, Mr P. Glover, Mr D. Loughborough, Mr A. Maidment, Mr T. Miller, Mr G. Ramsden, Mr H. Scurfield, Mr R. Sepel and Mr B.A. Wright were elected members of the board. Mr R. Bernays and Mr M. Hepher have been co-opted as additional industry members; and Mr John Greener, Sir Michael Kerry and Mrs Patricia Lambert have been co-opted as public-interest representatives. Mr M.H.M. Reid has been appointed chief executive.

REED INTERNATIONAL LIMITED

Luxembourg Francs 800,000,000
6¾% Bonds due 1987

Notice is hereby given that, in accordance with the terms and conditions of the above-mentioned loan, Bonds for the principal amount of Lux. Frs 79,950,000 have been drawn in the presence of a Notary Public on July 23,1986 for redemption at par on September 10, 1986.
Principal amount of Bonds purchased: Lux. Frs 50,000
The following Bonds have been drawn and may be presented to Kredietbank S.A. Luxembourgeoise or to other Paying Agents named on the Bonds:

00121	00781	01394	02338	03112	04121	05028	06889	08419	08581	11153	12001	13461	13556	13842	15107	15374
00122	00782	01395	02339	03113	04122	05029	06890	08420	08582	11154	12002	13462	13557	13843	15108	15375
00123	00783	01427	02340	03114	04123	05030	06891	08421	08588	11155	12003	13463	13558	13844	15214	15382
00124	00784	01437	02341	03116	04124	05031	06892	08422	08945	11156	12004	13464	13559	13845	15215	15385
00125	00785	01438	02354	03117	04125	05032	06893	08423	08946	11157	12005	13465	13560	14172	15216	15397
00126	00786	01439	02355	03118	04127	05033	06714	08424	08947	11158	12006	13466	13561	14173	15217	15401
00127	00797	01440	02356	03119	04130	05034	06715	08425	08948	11159	12007	13467	13562	14174	15218	15416
00128	00798	01441	02357	03120	04164	05035	06716	08426	08949	11160	12008	13468	13563	14175	15219	15433
00129	00799	01442	02358	03121	04165	05036	06717	08427	08950	11161	12009	13469	13564	14176	15220	15435
00130	00802	01443	02394	03122	04166	05037	06718	08428	08951	11162	12010	13470	13565	14177	15221	15441
00131	00915	01444	02395	03135	04167	05038	06719	08429	08952	11163	12011	13471	13566	14178	15222	15442
00132	00918	01496	02396	03176	04168	05039	06778	08430	08953	11164	12012	13472	13567	14179	15223	15443
00133	00930	01621	02397	03183	04256	05040	06779	08431	08954	11165	12013	13473	13568	14180	15224	15444
00134	00931	01622	02398	03186	04261	05041	06780	08432	08955	11166	12014	13474	13569	14181	15225	15445
00135	00932	01623	02399	03205	04268	05042	06781	08433	08956	11167	12015	13475	13570	14187	15226	15464
00136	00933	01624	02400	03209	04284	05065	06782	08434	08957	11168	12016	13476	13571	14188	15227	15469
00137	00934	01625	02401	03218	04291	05066	06807	08435	08958	11169	12017	13477	13572	14189	15228	15472
00138	00935	01626	02402	03226	04298	05067	06808	08436	09715	11170	12018	13478	13573	14190	15229	15480
00139	00936	01845	02403	03229	04301	05068	06809	08437	09716	11171	12019	13479	13574	14191	15230	15481
00140	00937	01846	02404	03230	04303	05069	06810	08438	09717	11172	12020	13480	13575	14196	15231	15482
00141	00938	01847	02405	03291	04307	05070	06811	08439	09718	11173	12021	13481	13576	14197	15232	15497
00142	00939	01848	02406	03292	04309	05071	06812	08440	10240	11174	12022	13482	13577	14198	15233	15503
00143	00940	01849	02407	03293	04318	05072	06813	08441	10241	11175	12023	13483	13578	14199	15234	15523
00144	00961	01850	02408	03294	04334	05073	06822	08442	10291	11176	12024	13484	13579	14200	15235	15526
00145	00962	01851	02409	03295	04335	05089	06823	08443	10292	11177	12025	13485	13580	14327	15236	15538
00146	00963	01852	02410	03296	04336	05104	06824	08444	10293	11178	12026	13486	13581	14328	15237	15539
00150	00964	01853	02411	03297	04337	05105	06825	08445	10294	11179	12027	13487	13582	14329	15238	15540
00154	00965	01854	02412	03298	04349	05106	06826	08446	10295	11180	12028	13488	13583	14330	15239	15578
00233	00966	01855	02413	03351	04357	05107	06827	08447	10296	11181	12029	13489	13611	14331	15240	15580
00234	01055	01856	02414	03352	04360	05108	06828	08448	10297	11182	12030	13490	13612	14332	15241	15621
00235	01073	01857	02419	03353	04361	05109	06873	08449	10298	11183	12031	13491	13613	14333	15242	15628
00236	01074	01858	02426	03354	04366	05110	06874	08450	10299	11184	12032	13492	13614	14334	15243	15634
00237	01075	01859	02435	03355	04382	05111	06907	08451	10300	11185	12033	13493	13615	14335	15244	15637
00238	01076	01860	02449	03356	04384	05117	06908	08452	10301	11186	12034	13494	13616	14336	15245	15640
00239	01077	01861	02450	03357	04570	05121	06909	08453	10302	11187	12035	13495	13617	14337	15246	15643
00240	01078	01862	02451	03358	04571	05140	06910	08454	10303	11188	12036	13496	13618	14338	15247	15659
00323	01079	01863	02452	03404	04576	05151	06911	08455	10304	11189	12037	13497	13619	14339	15248	15661
00324	01080	01864	02558	03405	04577	05167	06966	08456	10305	11190	12038	13498	13620	14340	15249	15662
00326	01081	01871	02559	03406	04639	05181	06967	08457	10306	11191	12039	13499	13621	14341	15250	15663
00330	01082	01872	02560	03407	04640	05182	06968	08458	10307	11192	12040	13500	13622	14342	15251	15664
00331	01083	01873	02561	03468	04641	05183	06992	08459	10308	11193	12041	13501	13623	14343	15252	15665
00332	01084	01874	02562	03483	04642	05184	07093	08460	10309	11194	12042	13502	13624	14344	15253	15667
00337	01085	01875	02563	03509	04643	05185	07094	08461	10310	11195	12043	13503	13625	14345	15254	15668
00338	01086	01876	02611	03513	04644	05205	07323	08462	10311	11411	12044	13504	13626	14346	15255	15669
00346	01095	01877	02612	03515	04645	05226	07324	08463	10312	11412	12045	13505	13627	14347	15256	15676
00372	01096	01878	02613	03521	04646	05231	07398	08464	10313	11413	12046	13506	13628	14348	15257	15694
00401	01097	01879	02614	03522	04647	05232	07399	08465	10314	11414	12047	13507	13629	14349	15258	15727
00402	01098	01880	02615	03523	04948	05233	07400	08466	10315	11415	12048	13508	13630	14350	15259	15735
00403	01099	01881	02616	03524	04949	05242	07401	08467	10316	11416	12049	13509	13631	14351	15260	15743
00404	01100	01882	02617	03525	04950	05246	07402	08468	10317	11417	12050	13510	13632	14352	15261	15751
00405	01101	01883	02618	03550	04951	05254	07403	08469	10318	11418	12051	13511	13633	14353	15262	15756
00406	01120	01884	02626	03561	04952	05262	07404	08470	10319	11419	12052	13512	13634	14354	15263	15757
00412	01121	01885	02637	03562	04956	05268	07405	08471	10320	11420	12053	13513	13635	14355	15264	15759
00459	01122	01886	02725	03563	04957	05269	07406	08472	10321	11421	12054	13514	13636	14356	15265	15760
00460	01123	01887	02726	03572	04961	05270	07407	08473	10322	11422	12055	13515	13637	14357	15266	15770
00516	01124	01888	02727	03584	04962	05417	07408	08474	10323	11423	12056	13516	13638	14358	15267	15776
00517	01162	01889	02728	03588	04963	05418	07409	08475	10324	11424	12057	13517	13639	14359	15268	15783
00519	01163	01890	02755	03594	04964	05604	07410	08476	10325	11425	12058	13518	13640	14360	15269	15784
00542	01164	01891	02756	03601	04968	05605	07411	08477	10326	11426	12059	13519	13641	14361	15270	15805
00585	01174	01895	02757	03610	04969	05606	07412	08478	10327	11427	12060	13520	13642	14608	15271	15807
00615	01175	01903	02758	03617	04991	05607	07413	08479	10328	11428	12061	13521	13643	14609	15272	15810
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THE ARTS

Television/Samuel Brittan

What I saw after Peacock

Did I watch more television while I was on the Peacock Committee on broadcasting? Nn, I probably watched less because of the mass of documents from interested parties with which the Committee was deluged. Much of it was boring, repetitive and condescending. But if you serve nn committees, you have at least to know ynur vested interests.

Incidentally, it is time that Whitehall stopped calling such self-justifications "evidence." There were nuggets of evidence buried in the propaganda, but most of it was far from evidence in either the scientist's or the lawyer's sense. "Submissions" would be a good neutral term, leaving "evidence" to describe new and relevant empirical information.

While on Peacock, I did try to watch some material I would not other wise have seen. Having been warned off *Coronation Street* as old bat I tried *East Enders*, which did not make sense in mid-series. Nor did *Brookside*. I stayed for a few episodes of *Dynasty*, to the extent of appreciating the resonances of Joan Collins. But I could not pick up the threads after the wedding in the Balkans hijacked by terrorists (nr freedom-fighters).

It was therefore a relief to be able to watch and listen a few days ago to the Liszt centenary concerts (BBC) without worrying whether this was minority viewing or not.

As so many of Liszt's works are for piano, his music is not massacred by the atrocious sound quality of television receivers to the same extent as that of composers of predominantly orchestral or choral works. I did, however, re-run on the video (and therefore without the benefit of Radio 3 stereo) the performance of Liszt's Faust Symphony from Bayreuth. The broadcast was directed by our own Humphrey Burton but came from the Bayerischer Rundfunk. It did for once show how cameras can be used intelligently in a music broadcast.

Instead of the usual same close-ups of the same few players who happen to be in the line of sight, the BR cameras seemed able to wander at will. Moreover the shots of instrumentalists were always for good musical reasons — eg to mark a solo entry—and not just because they happened to look cute.

Not all my viewing was highbrow — it couldn't have heen over an August weekend. Deprived of any investigatory role, I could ask myself what I really thought of advertising breaks. As a frequent visitor to the kitchen for tea, coffee and the like, I found them an enormous convenience. There is also one great superiority in the presentation in Britain compared with other countries. That is the very clear break between programme and ads, signalled either by the fading in and out of the programme title, or the euphemistic "Now we take a break." But even that is better than the excited running together of items in Italy and the United States.

Utterly maddening, however, are advertisements repeated in identical form several times the same evening. They desrve to kill off sales. Other advertisers find it easy to vary the theme slightly, at minimal additional studio expense.

There were two pieces of drama with a curiously overlapping interest. There was the first British television showing on ITV of Robert Redford's *Ordinary People*, released in 1980, and a repeat of Alan Ayckbourn's TV play *Absent Friends*, on BBC 2.

Both dramas are tonched off by a drowning accident. In *Ordinary People* it is the death of the glamorous and brilliant elder brother that throws the younger Conrad into a guilt-ridden depression. The father is understanding, and a little too human for the obsessively competitive Lake Forest suburb of Chicago. The mother is intolerant and uptight.

Absent Friends is a fairly normal Ayckbourn aetting: a lower middle-class tea party, where everyone is nnsura and ill at ease. But the occasion of the gathering is a visit from an old friend, Colin (played by Tom Courtenay), back three years after the drowning of his fiancée. Inevitahly, he does what everyone dreads: talks about the deceased, in an embarrassing moral rearmament manner adopted to perfection by Courtenay.

Ayckbourn is, as usual, cruel but very funny, whila Redford is serious with touchingly comic moments. The Lake Forest hoy is helped to come to terms with himself by a psychiatrist, played by Judd Hirsch without clichés or absurdity.

Tha mother walks off rather than unbend. In the Ayckbourn play, there is nothing worse than the collapse of a tea party.

Yet in tha end the true neurotics are the Brits, who lack the linguistic and emotional resources to talk about death, or any other bighly charged topic. The Americans found a way of talking about and coming to terms with their problems, even in highly affluent Wasp country.

Tha thin, impoveriahed nature of English English came out again by comparison with the rich variety and styles of tha Commonwealth Premlers and ex-Premiers descending on London — whether African, Canadian, Australian or West Indian. There was a vitality and virility in their use of words not found in any segment of the English nfficial classes.

There may be a limit to tha number of times I want to be lectured to by Kenneth Kaunda, but bow refreshing it would be if more British leaders had a fraction of his histrionic charm on public occasions. Ona secret of Neil Kinnock's television appeal is that as a Celt he does not speak dead official English in any of its variants.

The cool, English style should bave coma into its own in the Anglia offaring to public services principles, the Sunday morning Paul Sieghart programme *Reasons*: this time on determinism and free will. The two mainstream philosophers, Ted Honderich and Margaret Boden, put the orthodox position. If we knew all the antecedent facts, we would be able to predict that Hondarich would accept an invitation to the programme. But that did not make bim unfree. It was not the philosophers' fault that in a programme of well under balf-an-hour, with an unnecessary studio audience, they did not bave time for the important subtleties. For instance, if certain actions were known to be purely random, this would hardly eslablish the persosoal responsibility that exponents of free will want to emphasise.

A demonstration of how to bandle a combined studio and panel discussion properly was given by Jimmy Young in his Yorkshire Televiaion networked programme. Admittedly he had more tima and resources, and tba less obstruse topic of youth and drugs. But even Young missed hia real chance. There was much argument about whether the contrasting social attitudes to alcobol and drugs constituled double staodards. Someone claimed that the difference was that alcohol could be consumed in moderate doses subject to the individual's control, while drugs were addictive to the point of self-destruction. This would have been an ideal example in the determinism free-will dehale.

A Peter Jay or a Brian Walden, at their hest, would see that this was the central contention and try to probe bow far it was true. Here is an example of an investigative opportunity that gives television journalism an opportunity to score over the printed variety. But it was, as usual, not grasped on Sounday.


Neurotics on both sides of the Atlantic: Maureen Lipman and Julia McKenzie in "Absent Friends" (left) and Mary Tyler Moore in "Ordinary People"

La maschera nuda/San Marino

William Weaver

San Marino is noted more for its postage slamps and its duly-free shops than for its interesl in music; and yet the republic's Symphony Orchestra is a lively, youthful organisation (I don't know the voting age in San Marino, bul I suspect that most of the orcbesira's members are barely eotilled lo casl lheir hallol). And, under its regular conductor Orlando Pulin, it is developing into a serious and valuable organisation.

Last week, in the infelicitous Teatro Nuovo, the orchestra showed a more sprightly side, accompanying a revival of the rarely-heard operella *Lo maschero nuda* by Ruggero Leoncavallo.

Though the title has Pirandellian suggeslions, this work is based on a typical operetta story, set partly in the France of Maxim's and partly in an imagined Spain (prelext for a daoce involving castanets). But, as with most ooerettas, tha lext is of scant importance: what matters are the tunes, and as even the detractors of *Pagliacci* will concede, Leoncavallo knew how to write good songs.

Actually, some of the score was composed, after Leoncavallo's death, by a younger colleague, Salvatore Allegra. The posthumous confection was then given in the 'twenties and 'thirties, but has not been heard since. At thia remove, it is virtually impossible to distinguish Allegra's contributions to the piece; hut the hest arias —the heroine's opening song, the love duet—bear the stamp of Leoncavallo.

In Italy, operetta is often treated as a kind of poor relation or ugly step-sister of opera; but the impresario of this production, a Bolognese association known as the Mecenati, fortunately aecured the American-horn aoprano Marcella Reale for the leading role. This artist has long displayed a special taste for the verismo composers (she bas recorded many arias hy Leoncavallo, Mascagni, and Giordano); and so she brought to the part not only a flexible voice and an engaging charm but also secure musicality and style.

Her tenor, Romano Emili, sang wilh grace and fervour, though his acting was primitive. The second couple, the soubrette Brünbild Ulonska (making her Italian debut) and the tenor Fulvio Massa, provided a suitable foil. Roberto Da Carolis, in staging the work, failad to set a proper pace; and the gaiety sometimes seemed forced.

The dancing was good (William Savilla slarred in the Spanish scene), arranged by Aurelio Gatti. Andrea Galeati and Enrico Mulazzaoi conceived simple, but effective sets. While Leoncavallo's operas (other than *Pagliacci*) seem destined to neglect, his operettas — of which he wrote about a dozen — might well reward further investigation.

Alan Brind/Barbican Hall

Dominic Gill

Alan Brind is the 17-year-old violinist from Norfolk who was nominated this year's BBC TV Young Musician of the Year after his performance of the Sibelius concerto in the final round of the series. He took time off from his A-level studies (French and Maths) on Monday to make bis official London concerto debut in the Bruch concerto with the Royal Philharmonic under Nicholas Cleobury.

Brind is not yet of the technical standard of the hest of, say, the winners of the recent Carl Flesch competition—but he is not far from it, and musically his command of his material is unfaltering. The manner is exceptionally direct and engaging, quite without pretension; the tone is warm and even, broad but not large (he plays a quiet-voiced English violin not much more than twice his age); the intonation is generally excellent—only once, momentarily, in the finale, did he come off the rails, and then recovered without fuss or hesitation. I should guess that, if he is not pushed too hard or too fast, he should go far: such generous and precise musical instincts are worth a lot more in the long run than just tha right notes.

He warmed to his task instantly, and opened with splendid attack. Cleobury's accompaniment with the RPO was more enthusiastic than tactful: matters of orchestral balance are not yet—for he has other things to think of—very high on bis list of priorities. Another conductor might have allowed Brind to sing through Bruch's textures, but here it was more often a battle of dynamics which Brind, to his credit, won as frequently as he could.

The concert ended with Dvorak's New World symphony, and began with Mendelssohn and Schubert. Schubert's Unfinished is one of those works—of all Schubert works perhaps—whose stature is all but impossible to reduce in performance: for all Cleobury's inflexible tempi and pallid voicing, and in the second movement an almost unconscionable absence of balance between wind and strings, it emerged virtually unscathed.

Long Day's Journey Into Night/Haymarket

Michael Coveney

Eugene O'Neill said that his autobiographical roller coaster of a domestic drama was written "in tears and blood" and critics ever since have referred to its thunderous anathemas in hushed tones. The prosecution's case is easy. There are no jokes, the writing is lumbering and repetitious. Unlike O'Neill's overtly experimental plays—*The Hairy Ape*, *Strange Interlude*—this one, with its Aristotelian unities, rumbling emotional crescendo and sozzled Irish Catholic confessionalism, is merely mythic, or maudlin, or a masterpiece.

Jack Lemmon, making a superb London stage debut, and his director Jonathan Miller are having none of this. They treat the play quizzically, restlessly, experimentally. The playing is light, fast and inflected. But at no point do you lose sight of a family self-help therapy session enacted as the fog rolls in over the New England summer home of an actor, James Tyrone, who sacrificed his talent for a money-spinning long-running hit.

In his recent book, *Subsequent Performances*, Miller discusses, in respect of Chekhov, the strange dynamics of conversation, how we interrupt each other, overlap and repeat ourselves. Like Chekhov, O'Neill is not a dramatist of inherent literary interest. But in writing out his own family crisis of 1912—his father had given up *Monte Cristo* for a risible vaudeville version, his mother was back on the morphine, his brother a catastrophically drunk failed actor, himself an alcoholic consumptive about to enter a sanatorium—he wrote down how they had all behaved and, above all, spoken.

This production has peripheral information and woolly exclamation buried in a kerfuffle of overlapping speech. But the orchestration is so well controlled, you hear all you need to hear. Not much is cut apart from Edmund's tiresome reiterations of Dowson, Swinburne and Baudelaire in the last act. The pace is frenetic, unsettling, until the fog seeps in, and the speech slows and slurs after the visit of the father and sons to town.

The Tyrones are settling into a rough day and night with natural ease. Jack Lemmon, slightly stooped, trim, peering over light-rimmed spectacles through a tufted thatch of flowing white hair (finically combed at unlikely moments) spends the first half hour grunting his interruptions while doing the crossword and opening his mail. These are well-rehearsed patterns of banter, with familiar sneers at the theatrical life and digs at Tyrone's meanness.

Recriminations are habitually whispered, but the drink turns up the volume. James the elder son is reluctantly helping on the land while Edmund reads decadent literature, both sneaking a whisky before Tyrone follows them in for lunch.

Mary's need "to go upstairs" is a euphemism for taking another fix; the household is drenched in coded routines of slamming doors, lowering voices and topping up the whisky bottle with water. It is a poisonous, destructive atmosphere and the production conveys it with clinical precision, chill accuracy. The foghorn is a matter of fact blare, not some wispily romantic boom, a characteristic touch.

The focus of concern is Mary, the isolated maternal self-dramatising Irish martyr whom most actresses — in my experience, Constance Cummings and Carol Teitel — play as a knock-out lyrical Lucia di Lammermoor of the East Coast. Bethel Leslie may not be as exciting as that, but she is a frightened, hardened "hopbead" all right, convincingly at sea in Tyrone's theatre world of cheap hotel and late night bars. Her marriage to Lemmon's trouper is a sham, though he, interestingly, is innocent of her despair, just as he can easily defend his stinginess by resorting to knee-jerk "value of the dollar" homilies.

Lemmon plays light, but not lightweight, barking and growling his interjections, short-handing his disapproval and blessing of the boys' drinking with a shaggy shake of his head, a sly glinting glance. This indulgent breast-beating needs no catalytic doctor to tease out the truth. They all know the rules.

Olivier implied the husk of a great actor, leaping deftly to turn on the lights. Lemmon knows how bad he was and stumbles riotously onto the table.

He cracks twice. At the realisation that Mary is back on the dope, his face a disintegrating shambles of affection and disappointment. And at the end, when the tale of past happiness is complete and he bowls upwards for the rheumatic embrace of the woman he's both ruined and lost. This ambivalence in Tyrone's spiritual condition is most delicately traced.

The two sons, also from the Broadway production, are exceedingly well played by Kevin Spacey and Peter Gallagher, the first a spitefully chaotic loafer, the second a fulsomely sensitive, intelligent big-boned boy with a dangling dark curl and an occasionally heaving chest cough. Both break stereotype with the whoring bully and the artistic wimp.

To be fresh with a play like this is not to be disrespectful. Willa Kim's costumes are meticulously in period and Tony Straiges' rather glum wooden interior is ideal for these painful charades. The purgative cathartic element in the play is a reasonable sacrifice for the patient, unbeatrical (but not undramatic) revelation of how people go bonkers when all they talk about is each other.

Alastair Muir

Jack Lemmon

Memorable dancing at Nervi festival

Despite a wilting reputation and dwindling audiences, it was the Nervi Festival that supplied one of the few truly memorable experiences of the Italian dance summer. After opening with the Italian début of *A Chorus Line*, and before passing to television trivia, it earned the gratitude of serious ballet-goers by presenting a contingent of 21 dancers from the New York City Ballet, led by Heather Watts, making their one European appearance at Nervi at the end of July.

While last year at Taormina the smaller NYCB group met with enthusiasm from the general public and hostility from the majority of the local and national Press, this time the newspapers were slightly more favourable, with the habitually chilly audience — made up for the most part of Genoese (Nervi being next door to Genoa)—at its most aloof and uninterested.

Dancers who are used to being fêted and showered with praise must find it a disconcerting experience to be so little appreciated. However, ballets that contain no story, theme or "message" tend to disorientate audiences that have not acquired the habit of concentrating exclusively on the choreographic content. Italians have long excelled in stage design and occasionally in writing ballet music, but choreographic talent has been so rare this century that it is seldom estimated at its true value.

Yet it was a very attractive programme. *Donizetti Variations*, here led by Nicole Hlinka and Ib Andersen, is Balanchine at his sunniest and most Bournonvillean — a delight, danced with heartwarming buoyancy and joyousness as well as precision.

Jerome Robbins' three unhappy couples in *In the Night* were portrayed with intensity by Heather Watts/Peter Frame, Lauren Hauser/Jock Soto and Stephanie Saland/Otto Neubert, while Peter Martins' jaunty *Eight More* drew coruscating performances (notable for their stamina as well as the musicality and technical mastery) from Peter Boal, Michael Byars and, above all, Gen Horiuchi. Watts always looks her happiest in Balanchine; she led the performance of *Rubies* with enormous zest, and the other 14 dancers (with Lauren Hauser and Jock Soto as the other soloists—but really they are all soloists) followed suit.

At Nervi, unlike Taormina, the performances enjoyed the advantage of a live accompaniment—an unusual treat in Italy these days, particularly in the open air. The Genoa Opera orchestra played for the Donizetti and Stravinsky works, while Jerry Zimmerman, the company's excellent pianist, played the Chopin pieces used by Robbins and also the piano part in *Rubies*.

The Stuttgart Ballet was not only unfortunate with the weather (the gale-force winds having affected the lighting as well as the audience's spirits) but also oddly misguided in its programme-planning. Having already appeared in the Nervi park, the company's management saw fit to offer Kenneth MacMillan's *My Brother My Sisters* as the centrepiece of its first programme in those wide-open spaces.

Instead of being harrowing, it was reduced to utter meaninglessness. Even *Operette* — Maurice Béjart at his most self-indulgent — might have proved more persuasive in a real theatre. A spin-off of *Wien, Wien nur Du Allein*, it is culpably wasteful of the talents of Marcia Haydée, Ricard Cragun and their colleagues. Even the irresistible Viennese waltzes and songs (at their heaviest and most sensual) are spooned out in frustratingly small dollops before being interrupted by wind noises, crashes, silence, words et al.

This introductory programme was completed by Glen Tetley's version of *Le Sacre du printemps*, the second programme being devoted exclusively to Béjart. No-one can love or admire Béjart and Balanchine equally: most Italians seem to have opted for the ubiquitous Frenchman.

Freda Pitt

Lorca at the Lyric

Glenda Jackson, Joan Plowright and Patricia Hayes will star in *The House of Bernardo Alba* by Federico García Lorca at the Lyric Theatre, Hammersmith, from September 8 to October 25.

The production is directed by Nuria Espert, who first appeared in Britain at the World Theatre season in 1971 in a production of Lorca's *Yerma*.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

August 1-7

NETHERLANDS

Amsterdam, Carre Theatre. China's Peking Circus (Tue to Thur, Wed 2 perfs.). (225 225).

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the Aids epidemic increases. (836 3878 credit cards (CC) 379 6565).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Blithe Spirit (Vaudeville): Susan Hampshire and Joanna van Gyseghem have now joined Simon Cadell in this enjoyable Coward revival. (836 9987).

Troilus and Cressida (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but riveting just the same. The bumptious 1950s Merry Wives continues in repertoire. (628 8795).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhouse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

TOKYO

Takarazuka All-Girls' Revue. This phenomenon, the antithesis of Kabuki, where all the roles are played by girls but with typical Japanese innocence and earnestness, is a must for visitors. Takarazuka perform elaborately-staged and skilled musical adaptations of both Japanese and Western plays - also revues and standard musicals. Highly improbable plots are more than compensated for by spectacular stagings and huge casts. Detailed English summaries in the programme - in case the original story is altered beyond recognition. Takarazuka Theatre near Ginza and main hotels. Afternoon and evening performances. (591 1711).

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Half a step backwards

THE MEETING of seven Commonwealth leaders in London on South Africa ended with two communiques wrapped into one. They are fairly easy to unravel. The Commonwealth heads of government who attended, excluding Mrs Thatcher, have committed themselves to going ahead with a substantial range of economic sanctions now.

That is the first communique. The second, contained within it, says that the British Government has reservations about the likely impact of sanctions but is taking a few measures nevertheless: voluntary bans on new investment in South Africa and on the promotion of tourism to South Africa. Britain will also "accept and implement" any decision of the European Community to ban the import of coal, iron and steel and of gold coins from South Africa.

In other words, the rest of the Commonwealth, which has very little power to make sanctions more than a pin-prick, is going flat out, while Britain, which has considerable power and influence in this instance, has taken a more reticent path.

Patchy record

The two governments likely to be most pleased by the outcome of the London meeting are the South African and the British; the South African because it was braced for rather stronger measures than now seem likely in the near future, and the British because Mrs Thatcher never liked sanctions in the first place. She has got away with making as few concessions as possible without the Commonwealth actually breaking up.

No one can say definitively that Mrs Thatcher is wrong. The record of sanctions is patchy at the best, though they did have an effect in bringing about negotiations in Rhodesia (now Zimbabwe) in the end. It is perfectly possible to argue that further measures would drive white South Africa further into the laager. It is a great leap of the imagination to suppose that they would lead automatically to a peaceful transition to one person, one vote.

Yet no one can argue conclusively either that the British Prime Minister is right. The purpose of sanctions, as best conceived, is to give a signal to South Africa that the rest of the world is concerned about its domestic policy, that it is ready to lend a hand if there are serious efforts at reform, and that sanctions may be tightened if there are not. This can be done only by concerted international action, with provision for the possible effects of South African retaliation on the front line states, and preferably through the Security Council of the United Nations, which has the power to make sanctions mandatory. If there is an element of self-interest, it is that relations with the rest of the world, including the rest of Africa, are ultimately more important to Britain than relations with a repressive white government.

Complex task

Mrs Thatcher goes about her admittedly complex task in a very strange way. She protests against concessions to the sanctions lobby, then makes them unexpectedly without winning any rewards. The European Community, for instance, is considering a ban on the import of Krugerrands. Britain introduced such a ban on all South African gold coins late one Friday afternoon last May. Hardly anyone noticed. Similarly during the London meeting Britain suddenly announced the voluntary ban on new investment with immediate effect. It does not mean very much because there is very little new investment anyway. But if it was meant as a gesture to the Commonwealth, it might have been made more generously. And if it was meant as a warning to South Africa, it might have been made more dramatically.

The oddity is that Britain could perfectly well take the lead: within the Commonwealth and the European Community, and in co-ordinating policies with the US, Japan and other industrialised countries. Mrs Thatcher has chosen to exercise that role so far by seeking to keep international action to a minimum. The British section in the London communique gives no hint that Britain will encourage the Europeans to go further but merely suggests that it will not object if they choose to do so. The scope for playing for time continues to be limitless: a point that will have been noted in South Africa.

The taming of the oil cartel

THE APPARENT triumph of self-interest over distrust among the members of the Organisation of Petroleum Exporting Countries has taken the markets by surprise, but has not yet convinced them. There are indeed two strong grounds for doubt. The brutal assertion of market power by the Gulf states has frightened the other members of the cartel into agreement, as Saudi Arabia always intended, but it will be some time before we know whether it has also frightened them into sticking to their agreements. Meanwhile, the market has weakened; the disappointing response of the industrialised economies to cheap oil has reduced current and prospective demand and it remains to be seen what price can be sustained if Opec does stick to its output targets.

Nobody in the consuming countries seems to be rushing to the podium to denounce this renewed plot to subvert market forces and reduce real incomes. In many quarters, indeed, there is probably a heartfelt, though unspoken, welcome for the new, domesticated version of Opec. The interest of the UK Treasury is obvious. The US Federal Reserve can relax a little over the financial strains in Texas and other oil-producing states and Mr James Baker may hope that his rescue package for Mexico, where debt service flows are related partly to the oil price, will now find readier support among the commercial banks.

Violent swings

However, even Japan and West Germany, apparently pure gainers from cheap oil, may welcome relative stability. Their gains in real income have been reflected in disruptive rises in real exchange rates, and depression in many of their export markets, notably German markets in east Europe.

The fact is that developed economies have their own problems responding to violent swings in the terms of trade. These are not the dire emergencies which confront so many commodity producers but they are insidious all the same. Large swings in input prices and exchange rates produce a generalised uncertainty which inhibits investment; that is why the fall in the oil price has initially led to lower rather than higher growth in nearly all economies. Most businesses would happily give up some price advantage in return for greater stability.

The Saudis and their allies in Opec are, of course, concerned with much more than stability; they want the highest sustainable price for their output. However, they have always argued that this price is much lower than the more militant members of the cartel have insisted. The question now is what conclusion the militants will draw from their experience in 1986.

Target level

The Gulf states have long argued that Opec was progressively pricing itself out of its own markets, by setting prices so high that demand was depressed, while the most unpromising oil territories were quickly brought into production. They seem now to assume that the cartel can enjoy a stable share of the world market at a price of $18 to $20 a barrel — partly because the demonstration of Saudi power has given non-Opec producers a bad enough fright to cool their ardour for new oilfield development.

If the Opec militants now share this view, the cartel may well be able to stabilise prices at somewhere near the Saudi target level although it remains to be seen whether the production cuts agreed so far are adequate.

However, the militants may well draw a different conclusion. The Saudis and their allies had, after all, a purely self-interested aim—to recapture their former share of Opec production. The militants seem provisionally willing to give them best on market share, for the agreement now involves a large cut in Saudi and Gulf output; but they may well continue to argue for a substantially higher price, especially if their current output proves easy to sell. It is much too early, then, to welcome e domesticated Opec as a source of economic stability; the Saudis have won a notable battle, and more fighting than was expected, but not a war.

THE OPEC AGREEMENT

A lesson learned—for now

By Max Wilkinson, Resources Editor

Sheikh Yamani, the Saudi Oil Minister.

IF THE worldwide applause for the unexpected dénouement of the oil talks in Geneva were not so discreet, it would be deafening.

The Organisation of Petroleum Exporting Countries' perhaps fragile agreement to cut its oil production by 3.5m barrels a day to 16.8m b/d will help many powerful men to sleep easier—from the chairman of Exxon to the Vice President of the US, and not excluding Mr Nigel Lawson, Britain's Chancellor.

With so many silent blessings and such inexorable commercial logic on their side, it is only surprising that the 13 members of the most powerful cartel in economic history failed to get their act together earlier.

The fact that they continued to argue fruitlessly while the oil price halved and then halved again, immediately raises the questions: "Will it last?" and perhaps even more important: "What does it mean for the oil price?"

The first is almost literally a $64bn question for Opec. At $12 per barrel the group's export earnings would be running at an annual rate of about $70bn a year compared with $134bn in 1985. At prices down to recent levels of $7 to $8 per barrel, Opec earnings are only about a third of their average over the past three years.

That is a measure of the incentive that the Opec countries have to stick to their agreement and to avoid re-running the history of the past few years when one country after another started to cheat by producing a little bit more and then a little more still than the official quotas laid down by the organisation.

Yet the fundamental fact about cartels is that the more successful they are, the greater is the incentive for members to cheat and for non-members to undermine the agreement by bringing more production on stream.

To counter this tendency, Saudi Arabia and its main ally Kuwait will have to use great skill and judgment in the coming months.

In the first place, the oil price must be maintained at a level which is high enough to reinforce the lesson that discipline benefits all. On the other hand it must not go so high that it provokes another round of cheating, revives the momentum of oil exploration outside Opec or gears up energy conservation programmes again. The price which will balance these opposing forces is seen by the "moderate" faction in Opec to be about $18, although the "fundamentalist" group (Iran, Iraq and Libya) have hankered nostagically for the old price levels of around $28 per barrel.

It was almost exactly a year ago that Saudi Arabia started the downward spiral in oil prices by formally abandoning its role as the "swing producer" for Opec, supplying only enough oil to meet the world's residual demand. As a result of the widespread cheating by Opec members Saudi production had fallen to only 2m b/d, less than half its production quota and perhaps only a quarter of its capacity to supply.

At this point, the Saudi rulers made an abrupt change of policy, deciding to maintain production at 4m to 5m b/d whatever the consequences for the price, and if necessary to go above that limit. Its strategy has been to lower the price to a little under $20 per barrel to discourage exploration and substitution and therefore to safeguard its own future markets.

When other Opec members refused to go along with this change of tactic, Saudi Arabia decided in effect to push the price down until they all learned sense.

Saudi Arabia and Kuwait's recent tactic of turning on the oil taps and flooding world markets with cheap crude has been an obvious preliminary to forcing through the moderate plan. Last week as the Geneva meeting seemed destined to collapse in familiar disarray, $18 must have appeared a highly desirable, even unattainable price.

For Iran, desperately short of arms and other supplies in its six-year war with Iraq, with recent military successes to its credit and a renewed sense that total victory is within its grasp, $18 looked at least twice as good as $9.

Its production, like that of its bitter enemy, is already at the maximum possible in the exigencies of war, yet it is producing rather less oil than allowed under the 2.3m b/d quota set out under Opec's October 1984 agreement. So Iran's decision this week to allow Iraq to go on producing as much as it can — Iraq's refusal to consider restraint had been a stumbling block to a new Opec agreement—may therefore be seen as essentially a military calculation. In the short term Iran's need for cash is greater than that of its enemy, which has powerful friends in the form of Saudi Arabia and Kuwait which have provided substantial finance for the war.

But Iran can hardly have expected on Sunday night that Saudi Arabia would put its name to this unsavoury calculation.

On the surface, Saudi Arabia appeared to execute a *volte face* in its negotiating position over the weekend. After steadfastly opposing any deal which was not unanimous, the Kingdom suddenly accepted the exclusion of Iraq from the restraint pact. In fact, the compromise proposed by Iran fell in with Riyadh's grand strategy of forcing down the price until the more recalcitrant members of the cartel saw the sense of restoring discipline. This has been the Kingdom's strategy *since last August* when Saudi Arabia first began to boost its market share through "netback" deals in which the price of crude is related to the price of refined products, with a guaranteed margin for refiners.

Now, having obtained agreement, Saudi Arabia has an important sanction over its fellow members in the form of the huge volume of oil which it has built up in tankers round the world, waiting to be spilled on to the spot market at the first sign of indiscipline from fellow members.

This has been built up as a result of a surge of production by Saudi Arabia and Kuwait in the run up to the latest Opec meeting. Last month their combined production of about 7.3m barrels/day was almost 80 per cent more than their average for 1985.

This excess production has helped to push recent Opec production to the quite unsustainable level of more than 20m b/d, at least 3m b/d more than is needed to keep world supply in balance with demand.

The lesson which Saudi Arabia has read to the fractious and often noisy members of the cartel is that it can match their excess production two or three-fold if necessary, that it and Kuwait can afford the consequences of lower prices better than any other Opec producers, and that if necessary, it will do so again.

As the price plunged from $18 to $20 in the early part of the year to below $10 in recent weeks, it became more and more obvious that only a relatively modest sacrifice of output by Opec could potentially yield all members a rapid recovery in revenues.

The exercise has also proved that in the short run, the price has relatively little effect on the amount of oil consumed or produced.

One reason is that major irreversible investments have been made in energy saving and in switching from oil to other energy sources, for example nuclear energy and coal. But there are other more political reasons. The UK, for example has the capacity to burn perhaps 600,000 barrels a day of oil in its power stations. At recent prices this would have made economic sense, producing much cheaper electricity than from coal. In terms of the global supply and demand balance, this would have been the same as a 25 per cent cut in Britain's North Sea oil production, more than Opec could ever have hoped would be conceded.

But while loudly proclaiming their belief in a free market for oil, British ministers refused to follow the logic of the market-place when it threatened a coal industry based upon prices hopelessly above the world average.

In the US, Vice-President Bush also suggested, when the oil price first touched $10 in April, that the administration might well be forced to take measures to protect its own oil industry — perhaps by an import tax — if the price remained depressed.

The recent dosage of very low oil prices has also proved that oil companies are extremely reluctant to shut down existing wells even when operating profits have fallen to near the vanishing point. Even in parts of the North Sea and Alaska where costs in some fields must be close to $7 per barrel, oil companies have shied away from the human and financial costs of shutting down production.

As a consequence, the supply of oil from outside Opec has remained remarkably steady at about 28m barrels per day, while total world demand for oil has shown only a very gentle recovery. The Paris-based International Energy Agency has said this will amount to a little under 3 per cent this year. Total free world oil consumption this year is likely to remain 10 to 11 per cent below its level in 1979.

It has become obvious, therefore, even in the highly-charged political atmosphere of recent Opec conferences, that a price war in pursuit of market share is one which the group as a whole could not possibly win.

As the chart shows, the losses have not been evenly distributed. For Kuwait and Saudi Arabia, the price fall has been ameliorated to a considerable extent by rises in output.

Although oil prices had about halved between the two periods, Kuwait managed almost to maintain its revenues by a near doubling of production. The main loser, among the larger Opec producers, was Iran, whose production was disrupted by war as the price fell. Its oil revenues in the first half of this year were less than half what they had been in the same period a year earlier. Iraq on the other hand had managed to boost output by an average of 400,000 barrels a day.

This helps to explain the extreme bitterness between the rival factions of relative "haves" and "have-nots."

A production cutting agreement which raised the price to, say $18, will do nothing to soften these rivalries and tensions. One of the key questions about Opec's latest agreement therefore is how it will be policed, or monitored, as Opec prefers to say.

Past efforts to keep track of the production of these diverse and mostly authoritarian states have not had a happy outcome, as falsification of records is not difficult. The latest proposal for an operation to monitor this week's agreement within Opec itself cannot hope to succeed unless all the major producers are prepared to abide more or less by the rules.

The question remains whether Opec will receive any help from the rest of the world. Most non-Opec producers including the UK, and the US, whatever they say in public, earnestly desire an oil price which is higher than recently depressed levels. The hope that low oil prices would stimulate the world economy has been largely disappointing so far. What remains, therefore, is lower revenues for producers, and a major disruption of the free world oil industry. Even consuming nations like Japan and West Germany have been anxious about renewed threats of a debt crisis in Mexico and elsewhere, as well as the longer term worries about the West's security of supply of oil.

The events of this weekend must have reinforced these last anxieties, for they have shown beyond doubt that Opec will force the oil price up rapidly whenever it has power to do so. Low oil prices have already caused savage cuts in exploration which will hasten the day when the West will once again depend heavily on Gulf crude.

So if all the industrial nations were allowed to vote for an oil price it might prove that Saudi Arabia's preferred figure of about $18 per barrel would turn out to be the consensus.

That does not mean that they will assist Opec in reaching this goal. Any oil company will buy cheap crude if it is offered on the spot market. Norway, Mexico and other non-Opec producers may decide to make a few political gestures towards Opec. But their hard-headed calculation must be that production cuts would be futile if Opec cannot keep its own cattle in the pen, and unnecessary if it can.

Winners and losers in the OPEC price war

Trends in crude oil export revenues for selected OPEC countries

Exports in million barrels a day	1st half '85	1st half '86
Saudi Arabia	2.3	3.5
Iran	1.6	1.3
Iraq	1.0	1.4
Kuwait	0.6	1.1
UAE	1.0	1.3
Nigeria	1.3	1.3
Libya	1.0	0.9
Venezuela	1.1	1.1
Indonesia	0.7	0.8

Revenue in billion dollars	1st half '85 (ave $28/barrel)	1st half '86 (ave $14/barrel)	difference in %
Saudi Arabia	11.7	8.9	-24
Iran	8.2	3.3	-59
Iraq	5.1	5.6	-30
Kuwait	3.1	2.8	-8
UAE	5.1	3.3	-35
Nigeria	6.6	3.3	-50
Libya	5.1	2.3	-55
Venezuela	5.6	2.8	-50
Indonesia	3.5	2.0	-43

Men and Matters

Room at BT's top

Graeme Odgers' appointment as deputy chairman of British Telecom throws the succession to the top job at BT into the melting pot.

When Iain Vallance, a career telecom man, was given, last October at the youthful age of 42, the rather un-British title of BT chief of operations, BT watchers assumed he was the heir apparent.

But Odgers, aged 52, Tarmac's managing director, who has moved to BT's number two slot ahead of Vallance, is bound to be in the running if chairman Sir George Jefferson, aged 65, retires when his contract expires in a year's time.

Odgers has had wide experience in the public and private sectors, including running his own business.

He has been a non-executive member of the BT board since 1983. Previously he was associate director (finance) of GEC, and director of the industrial development unit of the department of trade and industry.

He also ran his own management consultancy.

What Odgers will be doing in the meantime when he moves to BT in October is still less than clear.

He will not necessarily be taking on the responsibilities of Deryk Vander Weyer, the retiring deputy chairman, who among other things looked after Mitel, BT's Canadian-based telecommunications manufacturer.

Vander Weyer's first job when he moved to BT from being deputy chairman of Barclays was to *oversee BT's privatisation*.

He is retiring from BT but not from business life. He wants to develop his City interests and he will keep his place on the Court of the Bank of England. He is also on the new board of banking supervision, and on the board of Barclays bank.

Good behaviour

By injecting humour into training the British film industry is cleaning-up in a growing world market.

The most successful film of the genre, the John Cleese classic, Meetings, Bloody Meetings, has now been overtaken by If Looks Could Kill—The Power of Behaviour, which was launched last year by Video Arts, the British film and video training company.

The Sheraton Hotel group has bought copies of the new film, as well as 3,000 copies of the accompanying booklet to show staff that behaviour breeds behaviour, and that *aggression* simply creates more aggression.

The film, which illustrates behavioural techniques within the *framework* of a "whodunnit," was written by psychologist and management consultant Peter Honey.

Keeping the bandwaggon rolling Video Arts has plans to start shooting next month an epic on telephone behaviour with John Cleese.

Channel links

Sir Nigel Broackes, chairman of Trafalgar House and Francis Bouygues, head of the French construction group which claims to be the world's largest with expected sales of FFr 46bn this year, have just taken the plunge together in a joint water treatment and distribution venture.

The venture will concentrate on providing privately-financed and managed treatment and distribution for Britain's publicly-owned water industry.

But out of it could flow other plans for collaboration in civil engineering projects around the world.

For the deal marks what appears to be e growing friendship between Broackes and Bouygues.

The two men were rivals recently in the Channel fixed-link contest. Bouygues was a key member of the successful Eurotunnel consortium while Trafalgar House and Broackes, in particular, were leading members of the unsuccessful EuroRoute bridge and tunnel scheme.

They are understood to have met in secret during the Channel tunnel contest, taken a shine to each other, and regretted they were not working together. They apparently *resolved* to do so *whenever* possible in future.

Although very different personalities, the two men appear to have got on because they had one thing in common — both have created their own companies and have built them into giant industrial groups, Broackes with his construction, shipping and hotels interests, Bouygues (now seeking to expand into French television broadcasting) with his construction and civil engineering activities.

Radiating ideas

Sir Frederick Warner, the affable chemical engineer who played a prominent advisory role in both the Windscale and the *Flixborough inquiries* in the 1970s, wants volunteers willing to be exposed to much more radiation than the legal limit *for radiation workers* in Britain.

He wants to form small bands of volunteers prepared to help the emergency services in accidents involving leaks of radioactivity.

A visiting professor at both University College, *London, and* Essex University, Warner thinks his idea might also help reassure a public which, he believes, is over-sensitive to the amounts of radiation involved in some well-publicised nuclear leaks.

The kind of exposure he has *in mind* "*would make* no difference to anyone over 65," he says brightly. He is a sprightly 76.

Warner *floated his idea* at the Fellowship of Engineering, with the Duke of Edinburgh (65) in the chair. He says he *is seeking people who* have retired. His volunteers would be organised, briefed and trained on a local basis, so that they could muster in about 30 minutes.

One possibility, he muses, would be to base it on the St John's Ambulance Brigade—he is president in his home parish of East Essex—or another established voluntary service.

How much radiation exposure does he have in mind? Perhaps 20 times the present legal limit for those who normally work with radiation, he beams.

High fliers

Smaller City firms are having to resort to unusual methods to *secure the staff* they *need in* today's highly competitive market — which is why an airplane was buzzing above the Square Mile *yesterday trailing* a banner proclaiming: "Richards Longstaff seek gutsy avn broker."

Andrew Bremner, managing director of the Lloyd's insurance broker, says: "We haven't the resources to cary on recruiting in the usual way. City head-hunters are very expensive and when we have used them, we have been *disappointed with the response*."

As one of the biggest general aviation brokers, Bremner decided to advertise in the air.

"One hour's flight at lunchtime cost us about one-tenth as much as employing a head-hunter," he says. "And we have been delighted with the reaction. Our phones have been ringing with queries, not only about the job we advertised but about other *possible openings*."

Prospects, he suggests, are definitely looking up.

Observer

THE MFA AGREEMENT

Uncertain future for a bleary-eyed pact

By Anthony Moreton, Textiles Correspondent

AT 11.30 last Friday morning a group of very tired delegates emerged with a collective sigh of relief from the main convention hall of the Gatt headquarters in Geneva.

For the previous 26 hours they had struggled almost continuously to produce the final agreement on an extension to the Multi-Fibre Arrangement (MFA), the world accord that governs a large part of trade in textiles and clothing and which is operated under the wing of the General Agreement on Tariffs and Trade.

They should have completed their deliberations the previous midnight and the fact that, red-eyed and wearily in need of both sleep and fresh air, they had eventually reached agreement was taken as a measure of success.

Most of them — delegates from 42 countries and the European Commission — had started their talks 10 days earlier with high hopes that the extension to the MFA, known as MFA 4, would be more liberal than its predecessor, allowing the poorer countries of the Far East and Latin America greater access to Western markets.

They ended with an agreement that was, in the words of Mr Hamish MacLeod, Hong Kong's highly respected director of trade, "broadly neutral." Even British industry, which had been urging stronger safeguards from cheap competition gave it a "cautious welcome."

The new MFA made no attempt to go back to the high hopes expressed when the arrangement was first introduced in 1974 of allowing the low-cost producers to increase their exports to the West by 6 per cent a year.

Successive extensions to the MFA in 1978 (MFA 2) and 1982 (MFA 3) had tightened the screw on producers such as Hong Kong, South Korea, the Philippines, India, Pakistan, Brazil, Thailand and Indonesia by virtually abandoning the open growth target. MFA 4, on the other hand, offers a small carrot to the very poorest countries such as Haiti, Bangladesh and the Maldives and to those cotton-producing countries, such as Uganda, whose exports produce a significant proportion of their total trade.

They will be allowed a slightly higher level of growth than the big producers.

At the insistence of the US, coverage under MFA 4 is to be extended to sisal, jute and ramie, a flax-like substance.

Among most delegates the US was cast as the villain of the piece. In the past two or three years the US has suffered from a large rise in imports, especially sweaters made in Hong Kong, South Korea, Taiwan and the Philippines from a blend of ramie and wool.

Ramie looks like linen and feels like cotton. It can be produced very cheaply from supplies grown largely in China, though the Philippines is an emerging source. The American industry reacted vehemently to this surge of imports and organised opposition in Congress.

The result was a bill sponsored by a southern Democrat, Rep Ed Jenkins, to curtail imports, which passed both the House of Representatives and the Senate easily. The bill was then vetoed by President Reagan, who was forced to take quick action to preserve his commitment, given at summit meetings of world leaders, to increasing liberalisation in world trade.

Rep Jenkins subsequently attempted to organise enough congressional votes to override the presidential veto—a two-thirds majority of both Houses is needed. The first vote comes in the House of Representatives today.

It was the threat of protectionist legislation which dictated US tactics in Geneva. The US delegation, led by its chief textiles negotiator, ambassador Charles Carlisle, was continually looking over its shoulder to Washington and Congress in order to pre-empt a congressional revolt. It had to appear tough in Washington and rather more liberal in Geneva.

The result was an agreement which includes ramie and all natural fibres for the first time. However, there must be serious doubts whether the accord will hold.

Two issues of longer-term significance also emerged during the long days and nights.

The first concerns the MFA itself. Over the past year strong claims have been made by all the low-cost producers for the MFA to be ended altogether so that textile trade would come under normal Gatt rules in the interests of freer competition.

Their stand was united: they would agree to an extension of the MFA if there was a clear commitment from the West that the new round of Gatt trade talks, which begins at Punta del Este, Uruguay, on September 15, would incorporate textiles. Textile regulation, which is what the MFA is all about, is the major exemption from Gatt's free-trade rules; Mr Arthur Dunkel, Gatt's director-general, also wanted the MFA absorbed back into the organisation.

In the event, the producers meekly accepted MFA 4, a complete about-turn by them and a grievous blow to Gatt. They did so because industrialists in the producer countries, who like the MFA, put pressure on governments to keep it.

Manufacturers get quotas out of the MFA to produce a certain number of garments. South Korea, for instance, may be given a quota of 100,000 pairs of trousers, or 200,000 shirts, to sell to Germany and other quotas of varying amounts for each importing country.

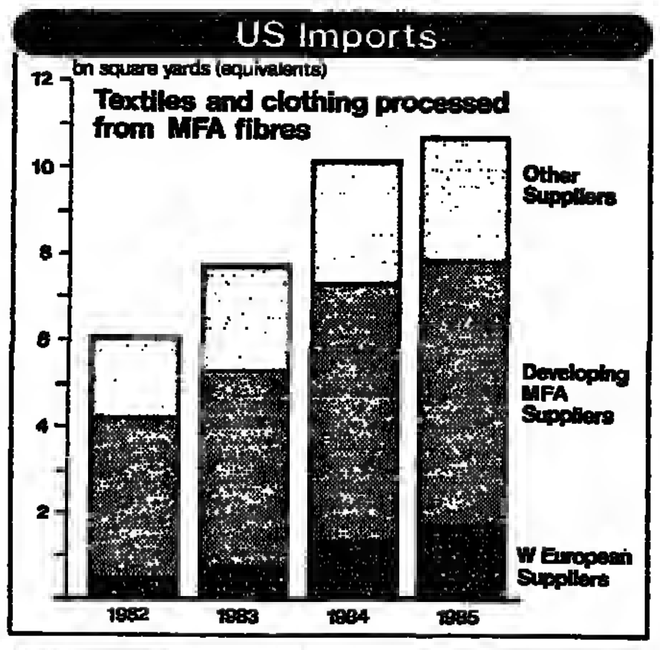
These quotas are then allocated among individual manufacturers. Thus, if one producer has run up against his quota limit, he merely buys more quota (within his country's overall limit) on the free market.

The MFA has become institutionalised. Instead of withering away, as originally hoped, there is a strong chance it will live to a ripe old age.

The second issue to emerge in Geneva concerns the growing feeling that the MFA in future should concentrate on clothes and not be concerned with textiles.

The textile side of the business concerns production of the fibre and yarn and their manufacture into fabric. Textile production, whether in Seoul or Frankfurt, is capital-intensive.

The East tends to concentrate on long runs of cheap commodity fibres suitable for conversion into cheap clothes and shoes, anoraks selling for £9.99 and flip-flops for £1.99.



Synthetic fibre capacity

(tonnes/day)

	1983	1984	1985	Change % 1983-85
Japan	4,040	4,051	4,240	+ 4.95
South Korea	1,916	2,024	2,072	+ 8.51
Taiwan	2,541	2,890	3,575	+ 40.69
China	1,005	1,335	2,100	+108.95
US	8,547	8,610	8,394	− 1.79
Western Europe	7,510	7,546	7,613	+ 1.32

Faced by this, almost unbeatable, competition, the West has concentrated on sophisticated fibres suitable for expensive clothes and new areas, such as the defence industries, road construction, tyres, or tennis racket frames.

It was therefore argued that textile production should be removed from the MFA since what the East made was not really a threat to the West.

The problem, though, is the US. With some exceptions, such as Du Pont, the US has not refashioned its industry in the same way as Europe; it continues to produce vast quantities of cheap fibres which are highly vulnerable to competition from South Korea, Taiwan and Japan.

It therefore alienated many, if not most, of the delegates in Geneva by its opposition to any moves in the direction of phasing out textiles from the MFA.

The Gatt secretariat continues to believe the MFA distorts the pattern of world trade. Two years ago it produced a monograph which suggested that competition from low-cost producers in textiles and clothing was neither unique nor unusual.

It was no different to that in ships, hi-fi equipment, toys, television or steel. None of these enjoys any appreciable degree of protection and to afford it to textiles and clothing merely produces distortions in the pattern of trade.

Competition, Gatt considers, should lead to a smooth progression of workers in developed countries out of industries which can be performed more economically by developing countries.

Although the Gatt paper did not argue it at the time, it would almost certainly say now that the way in which the textile side of the industry had come to terms with Far Eastern production indicated how the whole industry should go.

To a considerable extent this has happened in Europe, where clothing producers now increasingly concentrate on short runs of lines of garments which have a high design content and limited shelf life. Some industry leaders, such as Coats Viyella's Mr David Alliance, continue to argue that they can match Far Eastern landed prices in Europe with their own cost structures, though they are a minority. Most want to maintain a framework of regulation.

If the distortions to trade are to be eliminated, and if the MFA is to go to an early grave, subsumed within a wider Gatt round, then it is on America that attention must now largely focus. Europe has made the necessary changes. The US has not, as Geneva proved. Today's vote in the House of Representatives will be the first indicator of the way the US is moving.

Japan's industrial policy

Imitation may be the wrong form of flattery

By David Sawers

MYTHS are the meat of politics: and the effectiveness of Japanese industrial policy is one of the more enduring myths among the adherents of the middle way in British politics. Even some British businessmen, perhaps reflecting the common British belief that the Government is to blame for all national ills, share this faith so strongly that they are founding their own little MITI (Ministry for International Trade and Industry). To those who believe that politicians and civil servants can influence the course of industrial history, it may seem self-evident that the differences between British and Japanese industrial policy explain the difference in industrial performance. But the evidence to support such a view scarcely exists: the effects of Japanese industrial policy have never been rigorously evaluated.

Estimating the effects of industrial policy on industrial performance is an almost impossible task: to do so, one must first estimate the effect of policy on industrial behaviour, and then the effect of any differences in behaviour on performance. MITI is said to have caused, encouraged, or accelerated the changes in industrial structure in Japan in the 1950s from textiles to engineering and metals; evaluating its impact on performance in this period would involve establishing whether MITI indeed did make industrial structure different from what it would otherwise have been, and whether any such change in structure made national income grow faster than it otherwise would have done.

As usual in economics, actual events and performances would have to be compared with hypothetical events and performance; and the results might not seem very convincing. Attempts to analyse such effects econometrically are likely to fall down because of the extreme complexity of the events to be analysed. Opinions about the effects of Japanese industrial policy are therefore based on judgment rather than rational analysis, though they are judgments based on observation of Japanese economic history.

Four American economists who have studied Japanese economic performance and the role of Japanese industrial policy—Richard Caves, Hugh Patrick, Philip Trezise and Gary Saxonhouse—all concluded that industrial policy had had a negligible effect on industrial performance. Indeed, they considered that policy had hindered progress in some cases, by hampering the activities of new companies like Sony, encouraging the growth of industries which proved unsuccessful, or protecting declining industries like textiles. As in Europe, politicians want to subsidise inefficient industries like agriculture and textiles, to create employment; and, as in Europe, they have succeeded. These economists believe that the stable political and economic environment, and the financial system that made savings available to industry at low or negative real rates of interest, were the major benefits which government gave to Japanese industry.

Several Japanese economists have also argued against the influence of industrial policy on performance. Ryutaro Komoto, one of the pioneers of industrial economics in Japan, believes that the interventionist policies of the 1950s—based on controls over imports of goods and technology — were necessitated by an over-valued yen, which created a chronic balance of payments deficit. If the exchange rate had been realistic, he argues, discriminatory measures would have been unnecessary, and Japan's rate of growth might have been higher. Other economists, such as M. Kikkawa and Y. Noguchi, have argued that industrial policy may have been important in the 1950s, but was less so by the 1960s. The chronic deficit had by then disappeared and, under pressure from other industrialised countries for liberalisation of trade, many of the instruments of industrial policy vanished. Since then, the main instrument has been the development of a consensus; and the uncertainty has been about the direction in which the influence of government and industry went in evolving this consensus.

Academic writers on Japan who believe that policy influenced performance for the better have little doubt that the direction of influence has been from government to industry; or that the interventionist policies of the 1950s increased rather than reduced the rate of economic growth. Most of them have approached the subject by studying MITI. The skilful way in which MITI prepares and publicises its "visions" of the future industrial structure of Japan or selects the subjects which should receive its modest financial support for research, has clearly impressed these observers. They may therefore have been the more inclined to accept that MITI's actions were both influential and beneficial. The role that they consider most valuable was helping to create a consensus about the directions in which the economy or individual industries should develop; the process of discussion, between industrialists and government, was as valuable as the result, they suggest. But the evidence for its value seems to be a priori rather than empirical: jaw-jaw is better than war-war, between companies as well as countries.

Andreas Boltho, the economist, argues that there is an unexplained element when Japanese growth since the war is compared with that of other countries or with its own performance before the war. Though he suggests that an explosion of entrepreneurship may help to explain it, he says that industrial policy is at least as important and possibly crucial.

The evidence, however, seems a flimsy justification for any attempts to imitate Japanese industrial policy. The first question that any proponents of such imitation have to answer is what aspects of Japanese industrial policy they wish to imitate, when policy has changed so much over the years; the second is why they think the imitation will improve industrial performance. If they are serious, they will find that they have a long period of research ahead of them. The subject is therefore one that should be forgotten for the immediate future. If politicians think that there is anything to be learnt from Japanese experience, then for a start, they might try counting the number of attributes of Japanese industrial success that were promoted by Japanese industrial policy. They may find some lack of correlation.

The author is a former civil servant who is now a freelance writer.

Letters to the Editor

Specialise for industry

From Mr J. Nichols

Sir, — I read "Fostering an instinct for the market place" by Larry Siedentop (July 30) at first with interest and then with disbelief. This latter reaction arose from the criticism of the British educational system of early specialisation.

I do not doubt that there is early specialisation in the British system but it is in fact paralleled in both the German and US systems. The fault lies not in early specialisation per se but in the target. In the UK the specialisation is by and large academic, and overseas is technical and industry-oriented.

It seems to me that in choosing the wrong target for specialisation the UK education system has produced over the past 50 years generations of people who aspire to what they consider to be socially acceptable employment in service industries, rather than jobs in industries generating wealth directly.

Let us, sir, have early specialisation for our commerce and industry at secondary school level as we do for our medical services and for the teaching profession; this is a lesson that must be taught and understood in Industry Year 1986 if we are to survive as anything other than a place for the rest of the world to visit as a holiday resort.

John W. L. Nichols.
Richard Clay, plc.
Chaucer St,
Bungay, Suffolk.

Registering names

From the Chairman, Association of Company Registration Agents.

Sir,—Your item "Accountant lobs hopeful shot at Navratilova" (July 30) concerns me.

It is true that what Mr Bland did was completely legal, but surely he has not acted within the spirit and what may be inferred to have been the intent of the law, which permits the registration of any name provided it is not identical to an existing one and does not contain certain words which are regarded as sensitive.

Is this not a classic case for the Secretary of State to exercise his powers contained in Section 32, Companies Act 1985?

Notwithstanding this, Miss Navratilova may believe it cheaper to buy the company that purports to be hers, rather than go through the tortuous and expensive legal process to compel a change of name. My recommendation to her would be to incorporate "Martina Navratilova's Company Ltd," or some such similar name, and thus diminish, if not destroy completely, the value of Mr Bland's company.

Most new companies are incorporated by members of this association and I am confident that no member company would exploit its position by seeking to capitalise upon the name of a well known person with whom it has no connection. Members of the association register companies, either in bespoke form when the promoters of the company act as subscribers, or by using their own nominees for the proposed incorporation. In the latter case the company is transferred to the actual promoters only when the proper forms for registering the relevant changes of directors and secretary are in the agents hands.

Stanley H. Davis.
124-128, City Road, E.C.1.

Something must be done

From Mr W. Grey

Sir,—As a postscript to my letter you published on August 1, because space did not allow then and the point seems worth making, may I just be permitted to add that Mr Tebbit's "regional variation" principle (and my modification of it) is, of course, capable of far wider application and refinement, not least with respect to the Commons employment committee's suggested subsidy for long-term unemployed persons recruited?

Incidentally, such a "structural" approach to the unemployment problem, concentrating resources where the shoe pinches most and lying within each country's own judgment and capability, could well be added to the list of measures proposed by those, like Samuel Brittan (Economic Viewpoint, July 31), whose faith in market forces still leaves them feeling that "something must be done" about it.

W. Grey.
12 Arden Road, N3.

Design of pension schemes

From Mr D. Hall

Sir, — Mr Iain Walker tells us (July 29) that we who criticise money purchase pension plans are living in the age of the crystal set. Advances in computer technology aided by unit trust managers (or perhaps vice-versa) have apparently resulted in what he describes as "a new breed of money purchase vehicle."

I was unaware of the fact that computers were now able to control inflation, interest rates at the time of retirement, or the pattern of a pension scheme member's career and level of earnings. Or that unit trust managers had discovered an investment Utopia!

So unless Mr Walker knows something that I don't, the old problems still remain: inability to cope with inflation, difficulty in coping with promotion in middle and late middle age, total reliance on good investment performance, all of which in turn result in inability to properly plan for retirement due to uncertainty about retirement income. And a controversial thought — overcompensation for the young early leaver.

Taking him rather out of context, Mr Walker states that modern money purchase contracts are essentially "still the same animal as those of the past." Sadly he is right and many employees will be ill-served in the longer term if this is forgotten. Many of today's pensioners rue the fact that their pensions are inadequate. Frequently, the money purchase system is to blame. It is that system which is of the age of the crystal set, not those who criticise it!

D. T. Hall.
(Chief Executive, Benefits Marketing),
Stewart Wrightson.
Kingston Bridge House,
Kingston upon Thames, Surrey.

Legal aid and lawyers

From the President, Law Society

Sir,—Dr Hermann, your legal correspondent, attacks lawyers (July 31) for providing advice to the disadvantaged. He is concerned that the amount being spent on giving such advice is increasing over the years. It was not very long ago that our critics were saying that lawyers were not providing such services and the talk was all of "un-met need." We are now being criticised for meeting that need.

Legal aid is not about keeping lawyers in business. It is a major social service provided by solicitors to about 1.5m of the poorest citizens in England and Wales. The increased need arises from the increased rights and expectations quite properly provided by social legislation and publicity for it over the past 30 years.

Dr Hermann calls for greater efficiency in the legal system. Solicitors have been calling for this for many years and have pointed out time and time again the waste not only of public money but of the time of witnesses, police officers and others when there is no effective and sensible listing policy particularly in the magistrates' courts.

Dr Hermann says that a contingency fee system should no longer be dismissed out of hand. The Law Society has established a working party to examine the future financing of litigation and will be looking at contingency fees and re-examining the Justice proposal for a contingency legal aid fund. He refers to possible advantages of a contingent fee but there are substantial disadvantages which are apparent from an examination of the American system the most important of which is that the lawyer and the client may no longer have an identity of interest.

We are all looking to see what improvements can be made and are aware of the public's concern. Solicitors know that they have to run efficient businesses both to sustain a reasonable level of profit and to retain client loyalty and satisfaction. I hope that a policy of cost cutting will not result in even fewer of the disadvantaged being able to obtain the help which they so clearly need.

John Wickerson.
Law Society's Hall,
Chancery Lane, WC2.

Barriers for communication

From Mr E. Sutherland.

Sir,—While fully accepting the reasons which prompted Mr Aldridge (July 30) to suggest a device to isolate telephones from the public telephone network I cannot believe it is an acceptable solution. The delay and expense of obtaining approval for new or modified apparatus from the British Approvals Board for Telecommunications is excessive. However the solution must lie with modifications to the procedures rather than with the installation of millions of isolating devices.

It should be made possible to obtain a single approval for apparatus for the European Community as a whole. Some degree of subdivision of equipment into modules should be allowed with retesting only being required for altered modules.

The burden of the present approvals procedure is such as to make it unnecessarily difficult and expensive for domestic and more especially business users to obtain the equipment they require.

Ewan Sutherland.
The Polytechnic, Stafford Street, Wolverhampton.

FINANCIAL TIMES

Wednesday August 6 1986

GRAMM-RUDMAN SPENDING CUTS COULD FOLLOW $30BN EXCESS OVER BUDGET

US budget deficit 'above target'

BY REGINALD DALE, US EDITOR, IN WASHINGTON

THE US budget deficit in the coming fiscal year will be nearly $30bn above target, according to preliminary figures due to be released by the independent Congressional Budget Office (CBO) later this week, sources on Capitol Hill said yesterday.

The CBO is expected to put the deficit for fiscal 1987, which begins on October 1, at $173bn, considerably higher than originally expected. The projection is high enough to trigger spending cuts under the Gramm-Rudman act, which sets next year's deficit target at $144bn.

The extent of the cuts, however, will also depend on the deficit estimate by the Administration's Office of Management and Budget (OMB), which is expected to be about $20bn lower than the CBO's. The OMB's preliminary projection is also due later this week, with both agencies due to report again on August 20.

Under the Gramm-Rudman law, the average of the two figures, which is likely to be about $163bn, would be used to determine the cuts required. Spending cuts are triggered across-the-board if the target is missed by more than $10bn, as it would be in this case.

If Congress restores the law's automatic spending cut mechanism, which was voided by the Supreme Court in July on the grounds that it violated the constitutions separation of powers, the cuts would be made automatically.

If not, however, Congress would have to take the unpalatable step of voting on the cuts in the run-up to November's mid-term elections. President Ronald Reagan would then have to sign or veto them.

Congress is still working on restoring the automatic mechanism. Last week, the Senate voted to do so by giving the final authority to order cuts to the OMB, but the House has doubts about the proposal.

The new CBO figure is based on current spending levels and a forecast of moderate economic growth of about 3.2 per cent, the sources said. Deficit-reduction bills are pending in both the Senate and the House of Representatives, but final passage is not likely before Congress leaves for its three-week recess on August 15. Even if a bill is passed, some cuts under Gramm-Rudman may still be necessary.

The CBO report is also expected to show the current, fiscal 1986 year deficit at $224bn, a new record.

Stoltenberg rejects US pleas on rates

BY RUPERT CORNWELL IN BONN

MR GERHARD STOLTENBERG, the West German Finance Minister, yesterday left open the possibility of an early cut in the country's discount rate, now standing at 3½ per cent. But he once more flatly opposed any artificial pump-priming by Bonn to boost an economic growth rate which in 1986 could still reach 3 per cent.

His remarks came during a press conference which amounted to yet another rejection of the increasingly strident demands by Washington that West Germany do more to redress the imbalances in the world economy and, above all, to reduce the huge US trade and current account deficits.

The Finance Minister suggested that the transatlantic campaign against Germany – which many believe contains the threat of a permitted "free fall" of the dollar to force a response from Bonn – stemmed in good measure from political considerations ahead of the mid-term congressional elections in November.

Unemployment in West Germany rose by 53,643 last month to stand at almost 2,132,000. The increase, announced yesterday by the Federal Labour office in Nuremberg, means that 8.6 per cent of the workforce was without a job, against 8.4 per cent a month earlier. An increase in unemployment is habitual in July, as industries close down for the summer break and school leavers come on to the labour market

Referring to the impatient calls from some Administration officials for a speedy cut in the Bundesbank's key interest rate, Mr Stoltenberg declared that lower interest rates were desirable. He pointed out that in the first six months of 1986, benchmark longer term rates had dropped from an average 6.3 per cent to 5.7 per cent, and that a further decline was possible.

A reduction in the discount rate, however, was "quite another matter," and something for the Bundesbank to decide. In a pointed rejoinder to Washington, he observed that lower real interest rates could only be the fruit of stabilisation policies which had removed expectations of inflation. "They will not come about through political pressure."

Mr Stoltenberg argued that West Germany was doing the best it could to promote enduring world economic expansion. Stripped of the distorting effects of currency fluctuations and the collapse in oil prices (the D-Mark has risen by 50 per cent against the dollar since early 1985), he claimed that the sought-after reduction in Bonn's current account surplus was already "in full swing."

Domestic demand was replacing exports as the driving force behind the West German economy. Figures for second quarter gross national product growth will only be released next month, but provisional estimates suggested that it reached 3.5 per cent in April-June, after a disappointing first quarter. Real domestic consumption, Mr Stoltenberg said, would rise by between 4 and 5 per cent in 1986.

He repeated the long-standing German view that the solution to Washington's internal and external economic difficulties lay in bringing its massive budget deficit under control, "even if we grow 3 per cent faster than the US this year, that would only generate a $1bn increase in direct German imports." This compares with an expected US current account deficit for 1986 of $135bn.

For all their tough talk, American policymakers were more alive to the inflationary dangers which lay in a sharply falling currency, he said.

Like most of West German industry, he was comparatively relaxed about the likely consequences for exporters of the drop in the dollar's rate to a 4½ year, low of around DM 2.10 altough he warned that some industries would inevitably face extra problems abroad.

Textron in $965m bid for Ex-Cell-O

By Terry Byland in New York

TEXTRON, the US defence and financial services group yesterday launched a $965m takeover offer for Ex-Cell-O, the diversified manufacturer of aerospace, automotive and general industrial precision products.

The $68-a-share offer represents a premium of nearly 30 per cent over Ex-Cell-O's stock market price ahead of the news and also over the price agreed only a few days ago by the Ex-Cell-O board when it purchased 1m shares in a "Dutch auction" for the company's stock.

On Wall Street, Ex-Cell-O shares jumped $18½ to trade at $72¾ as arbitrageurs acquired stock on expectations that Textron might make good its suggestion of better terms. Stock in Textron added $1¾ to $53⅞.

Textron says it already has in place the financing necessary for the proposed combination of the two companies, which it wants to arrange on a "mutually agreeable basis."

It stressed that continuity of senior management would be maintained and that the board of the new group would include representatives of Ex-Cell-O.

Textron said it wanted a response from the Ex-Cell-O board by noon on Friday. However, Mr B. Dolan, its chairman, said he had been unable to contract Mr F. Paul Casey, chairman, president and chief executive of Ex-Cell-O.

In a letter, Mr Dolan hinted that the offer price might be increased in the light of discussions between the two boards.

Ex-Cell-O, based at Troy, Michigan, earned a record $51.6m, or $4.05 a share in 1985 and expects another good year.

THE LEX COLUMN

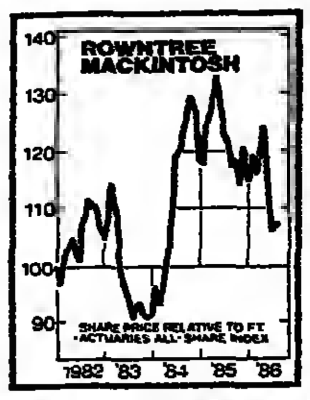
Last rights of pre-emption

The Stock Exchange has resisted all attempts to weaken the doctrine of shareholders' right of first refusal on new equity in their companies. But given the pressure from ambitious finance directors and the new highly capitalised securities combines, something was bound to give sooner or later. It is an open question whether the exchange should be congratulated for capitulating, but the timing seems immaculate.

Scrapping the remaining restrictions on equity issues on the evening before Boots was universally expected to hit the market with the largest vendor placing so far may avoid some of the controversy associated with such transactions. To Rowntree Mackintosh belongs the probable distinction of being the last UK company to come to its shareholders with a large conventional rights issue.

Were a more ambitious shell than Tranwood to attempt a vendor placing for the likes of Morgan Grenfell, it would presumably come under the prospectus disciplines applied to new applicants for listing. Otherwise, the only remaining obstacle to promiscuous equity placings appears to be the requirement that directors should annually renew their exemption from the statutory preemption rules. Extraordinary meetings to obtain the rubber stamp, deal by deal, are a thing of the past.

That throws a much beavier burden on the annual exemption, which has hitherto been regarded as little more than a matter of form. Any institution that worries about *shareholders' rights will have to* think more carefully about these blanket permissions. The possibility that the Pru or M&G might find themselves watered dowo to less than their customary percentage holding may weaken the role of proprietor institutions; but it is not necessarily to the disadvantage of small shareholders, whose rights are so often lapsed in any case. And *if companies* are enabled to tap a wider pool of equity than the old London system could provide, that may be no bad thing for shareholders at large.



Rowntree

Since the Rowntree rights issue is explicitly earmarked for an immediate deal – the purchase of a US confectionery group that rejoices in the Willy Wonka brand name, among others – it might as easily have been a placing. In the new market, even a 25 per cent increase in equity is likely to be a routine challenge for the distribution powers of brokers, and a footnote in the annual report.

Yesterday, however, it was a traditional Rowntree that came to its shareholders for a virtual carbon copy of the 1981 issue that financed its first large US acquisition two years later.

As with Tom's Foods, the Sunmark deal is as much as anything a calculated investment of sterling equity in substantially un-hedged dollar assets. Tom's was a success, both as a currency gamble and in commercial terms, and the pedigree of Sunmark seems to give Rowntree a reasonable expectation of doing as well – at least so far as the US sugar confectionery market is concerned. The currency exposure in Rowntree's balance sheet is a much more speculative question.

Sunmark itself has what looks an *exemplary* record over the past five years, and although the growth in its market – sticky stuff for kids – does not seem likely to prove exceptionally fast in the coming year or so, a careful treatment of tax (probably through writing up the assets to lift the notional US depreciation charge) should drop the effective acquisition multiple to a comfortable 11 or 12 times, minimising dilution next year.

Opec

It is the nature of markets to over-react, but even so, a near 60 per ceot appreciation in the price of an internationally traded commodity within the space of 24 hours is overdoing it. All the gains, in crude oil, oil equities and sterling took place before Opec actually issued its communique. That document smells strongly of Saudi reservations about the production deal cut by the Iranians of all people. It speaks of the interim nature of the arrangement and of Opec's inability to support the oil price on its own.

What oil price Opec is trying to defend remains a mystery. It seems that discussion of this hardly peripheral matter will wait until the next extraordinary session, in October. Until then, presumably, netback sales of crude will continue, leaving the glutted products market to lead crude prices.

The interim production ceiling of 16.7m barrels a day decided in Geneva does not look too far out of line with estimates of residual demand for Opec crude in the third quarter. But a large part of that period has come and gone with Opec spewing out about 20m b/d, much of which excess has yet to reach the market place.

But yesterday's oil market seemed to have lost its cynicism about Opec deals and the ability of the member states to deliver agreed quotas. When, for example, did the United Arab Emirates ever observe its now resurrected 950,000 b/d ceiling?

Money supply

The good work Opec did in the gilt-edged market yesterday morning was beginning to pall before the money figures appeared. So after getting within a ¼ point of the likely tap price gilts drifted off. Although this month the growth in £M3 at between 6 and ¼ per cent was in the middle of forecasters' estimates, it was the work of a moment to find this month's reason not to cut interest rates – the now usual £3bo rise in bank lending.

It is hardly surprising that much of the increase was lending to the personal sector given the current generosity of mortgage and credit lenders and the lack of old-fashioned hire-purchase controls. This is surely just the sort of thing the markets should have well in hand by now, and will certainly have to get used to in the run up to an election.

Offsets like the £714m NatWest rights issue are not to be relied upon. Nor can overfunding to the tune of £1.2bn a month continue while the policy of matching annual net debt sales to the PSBR is pursued. The catching up done in banking July leaves the authorities only about £300m short so far this financial year, though no doubt they will want to get ahead of target before the British Gas sale.

Plessey plans links with Westinghouse

BY DAVID THOMAS IN LONDON

PLESSEY, the UK electronics group, and Westinghouse, the US electrical engineering group, are planning joint development and marketing of a range of electronic products if Westinghouse succeeds in its bid for a new early warning radar system for Britain's Royal Air Force.

Mr Jack Tymann, Westingbouse general manager for command and control systems, said yesterday that the two companies would set up a joint business board which could serve as a model for Westinghouse's collaboration with other UK companies.

Westinghouse is principal subcontractor to the Boeing Awacs system which the UK Ministry of Defence is now evaluating, along with other bids which it invited after becoming dissatisfied with the rate of progress by the General Electric Company on the Nimrod early warning system.

Under the terms of the agreement announced yesterday, Westinghouse has guaranteed that its share of the early warning contract, *estimated* at *about* £250m ($367m), would be more than offset by new work flowing to Plessey in the UK.

This is made up of three elements:

- £50m of work which Plessey would receive in roughly equal parts from supplying hardware to the Westinghouse radar and from logistical support afterwards.
- participation by Plessey in the continuing enhancement of the Awacs system.
- the joint ventures which Westingbouse and Plessey are considering beyond the Awacs work.

These proposed joint ventures would include work on the US Strategic Defence Initiative, for which Westinghouse has already been awarded 17 contracts; research on gallium arsenide technology, which is crucial to advanced electronics; and collaboration on air defence, air traffic control and airport systems.

Mr Michael Whiteman, Plessey avionics managing director, said that at a minimum the package would bring Plessey extra revenue of £250m over five years. He was optimistic that it could yield Plessey £1bn over 10 years.

He said that at a minimum it would secure 1,500 man years of work in the UK.

Mr Tymann said that some collaborative work between the two companies would proceed even if the Awacs bid was unsuccessful, but it would be at a much lower level.

Rowntree Mackintosh buys US sweet manufacturer for £155m

BY DAVID GOODHART IN LONDON

ROWNTREE MACKINTOSH, the UK confectionery group, is continuing its rapid expansion into the North American market with the acquisition of Sunmark, a US manufacturer and distributor of branded sugar confectionery and snack foods, for £155m ($228m).

The deal will be mainly financed by a one-for-four rights issue, expected to raise £144m.

Sunmark is a family-owned firm which in the year to October 1985 made a trading profit of £14.3m on turnover of £99.6m. It is particularly strong in the children's confectionery market.

It recently bought the rights to the children's book by Mr Roald Dahl, Charlie and the Chocolate Factory, the owner of which – Willy Wonka – gives his name to one of Sunmark's main divisions.

The Willy Wonka and Sunline divisions – providing 63 per ceot of turnover and 80 per cent of trading profit – accounted for 4 per cent of the $2bo US sugar confectionery market in 1985 and a leading 16 per cent share of sales to tobacco and candy distributors.

Mr Kenneth Dixon, the *Rowntree* chairman, said: "This is a sharply focused business with a strong management which will be staying with us." From virtually nothing in 1980 Rowntree's US turnover and trading profit would have been 35 per cent and 45 per cent respectively of the total in 1985 if this acquisition was included.

Mr Dixon said he was well pleased with the progress of previous acquisitions in the US and Canada – the largest before Sunmark being Tom's Foods for £137m in 1983.

However, be also warned yesterday that because of a £2m loss arising from currency changes – especially the dollar – and an increase in Canadian sales tax, the interim results for the 24 weeks to June 14 would show little change on the first half of 1985.

Although the Sunmark acquisition – oo a p/e of 16 – is not cheap, it was welcomed by most London analysts as a sound move and should cause only a tiny dilution in earnings per share. Sunmark's unaudited accounts for the seven months ended 31 May show increases of 7 per cent in turnover and 16 per cent in trading profit and the estimated profit for the year is $25.5m.

Rowntree expects the deal to be completed by 5 September. The 42.5m new shares are being provisionally allotted at 350p a share.

Analysis, Page 14

Oil prices soar on Opec accord

Continued from Page 1

trian capital to supervise it, saying figures would be supplied to the centre regularly.

Primary responsibility, however, rested upon the undertakings given by each minister on behalf of his government, be acknowledged. Opec's performance of observing quotas under the ceiling of 16m b/d originally adopted in Geneva in October 1984 gradually deteriorated, leading to the conclusion that the 13 could not effectively collaborate as a cartel under such a ceiling.

Iraq is not a party to the latest accord but Iran's blockade of its oil shipments means that its actual output for the foreseeable future is limited to 1.2m – 2m b/d permitted by existing pipeline capacity and the scope for exporting oil by trucks to the Gulf of Aqaba.

What was described late on Monday as a "tentative agreement" nearly fell apart because of Algerian opposition to a reference in the communiqué to Opec's objective decided upon last September to secure for itself "a fair market share." Saudi Arabia, in particular, was insistent that the document should repeat the objective.

That was one issue that delayed the end of the nine-day conference. Another was the starting point for reductions from the high levels of output totalling about 20.3m b/d in July sustained by members.

Iran, faced with marketing difficulties, wanted the new discipline to begin in mid-August but was opposed by other members anxious to fulfil orders confirmed for this month.

A third factor held up finalisation of the agreement. That was King Fahd of Saudi Arabia's order to his chief delegate, Sheikh Ahmed Zaki Yamani, to obtain a set price. Everyone realised that that would be impossible but the conference bad to be seen to be making an effort to achieve one.

As it is, pricing practices and their reform are to be studied by Opec's economic experts in advance of the next conference set for early October. On that score, Mr Lukman acknowledged that all members were charging on a "netback" basis – related to refined product realisations less refining and transport costs – together with other discounts.

He said: "If our studies indicate the netback should be done away with, it will be done away with, but we have to study it very carefully. We are in a different ballgame now. We've been off official selling prices for more than half a year."

Commonwealth looks to US

Continued from Page 1

pressure for sanctions against Pretoria. In Bonn, there were signs that the West German Government, which bas been resisting sanctions, accepted that further measures were now necessary, while Japan was expected to observe any new sanctions agreed to by the West.

The Commonwealth leaders began leaving London yesterday amid a barrage of criticism of Mrs Margaret Thatcher, the British Prime Minister, for ber long stand against the more comprehensive list of measures against Pretoria adopted by the six, and recommended to the rest of the Commonwealth.

Mr Rajiv Gandhi, the Indian Prime Minister, said that Britain was "losing its position of leader of the Commonwealth because it is compromising on basic values and principles for economic ends."

Dr Kenneth Kaunda, the Zambian president, was even more outspoken, as was Mr Robert Mugabe, the Prime Minister of Zimbabwe.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	T	31	88	Malta	S	33	91	Rhodes	S	28	82
Algiers	S	32	90	Edinburgh	S	14	57	Manchester	F	16	61	Rio de J'o	C	34	93
Amsterdam	F	18	64	Faro	S	23	73	Manila	C	33	91	Rome	S	29	84
Athens	S	33	91	Florence	S	32	90	Melbourne	C	12	54	Salzburg	C	18	66
Bahrain	S	37	99	Frankfurt	S	23	73	Mexico City	S	25	77	San Francisco	S	21	69
Bangkok	C	31	88	Funchal	F	21	70	Miami	C	31	88	Seoul	F	29	84
Barcelona	S	28	82	Geneva	C	21	70	Milan	S	30	86	Singapore	F	31	88
Beirut	S	30	86	Gibraltar	S	25	77	Montreal	C	25	77	Stockholm	T	19	66
Belfast	S	18	61	Glasgow	F	14	57	Moscow	S	24	75	Strasbourg	S	22	72
Belgrade	S	32	90	Guernsey	F	16	61	Munich	C	20	68	Sydney	S	13	55
Berlin	C	18	64	Helsinki	F	28	82	Nairobi	F	23	73	Taipei	S	34	93
Biarritz	S	23	73	H. Kong	S	33	91	Naples	S	35	95	Tangier	S	26	79
Bombay	D	28	82	Innsbruck	F	21	70	Nassau	S	33	91	Tel Aviv	T	29	84
Bordeaux	S	21	70	Inverness	R	13	55	New Delhi	F	33	91	Tenerife	-	-	—
Brussels	S	18	64	Islamabad	C	28	82	New York	C	30	86	Tokyo	S	34	93
Budapest	F	29	84	Istanbul	S	31	88	Nice	S	27	81	Toronto	C	21	70
B. Aires	R	11	51	Jakarta	S	30	86	Nicosia	S	40	104	Tunis	S	33	91
Cairo	S	34	93	Jersey	S	19	66	Oporto	S	20	68	Valencia	C	27	81
Cape Town	C	16	61	Jo'burg	S	15	59	Oslo	F	19	66	Venice	F	27	81
Caracas	R	28	82	Lima	C	18	65	Paris	S	20	68	Vienna	C	23	73
Casablanca	S	23	73	Lisbon	S	24	75	Peking	R	29	84	Warsaw	T	32	90
Chicago	S	28	82	London	F	19	66	Prague	F	22	72	Washington	-	-	—
Cologne	F	19	66	Los Angeles	S	29	85	Reykjavik	C	11	52	Zurich	C	19	66
Copenhagen	F	19	66	Luxembourg	S	18	64								
Corfu	S	33	91	Madrid	S	28	82								
Dallas	S	23	73	Majorca	S	30	86								
Dublin	F	16	61	Malaga	S	27	81								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

SA plans trade curbs

Continued from Page 1

exchange earnings would delay the lifting of the current standstill on foreign debt repayments.

A ban on South African coal, steel, fruit and vegetables exports will strike at sectors which not only contribute substantially to foreign exchange earnings, but also spent many years painstakingly building up secure foreign markets.

South Africa's coal exports to the EEC totalled 22m tonnes last year, out of total foreign shipments of 44.3m tonnes. Mr Allen Sealey, chairman of Rural Mines' coal division, said opportunities for diverting EEC tonnages to other countries, particularly in the Far East, were limited. Sanctions-busting could take up only a small part of current exports.

South African coal already sells at a discount of about 10 per cent in international markets as a result of embargos imposed earlier this year by Denmark and France. Italy is the biggest EEC customer for South African coal after France.

Among Commonwealth members, Hong Kong buys about 2.5m tonnes of coal a year from South Africa. Britain and Canada are among the largest importers of South African fruit and vegetables.

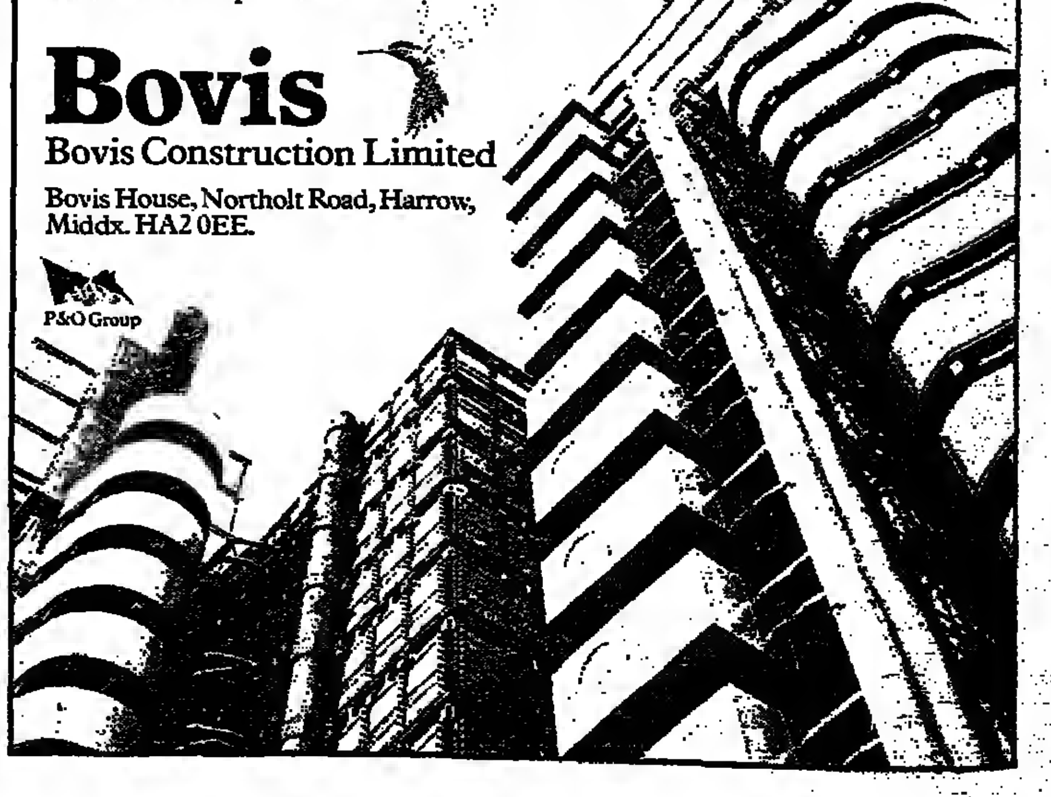
Mr Botha yesterday adopted a more restrained tone than other South African leaders in the past week or two. He said the Commonwealth decision created the impression that "the more we reform, the more the insistence is on punishment."

Paris ex-minister may face inquiry

THE PARIS public prosecutor was reported to be about to open initial proceedings against Christian Nucci, a Socialist former Co-operation and Development Minister, writes Our Paris Staff.

Carrefour du Developpement, an organisation set up by Mr Nucci, is claimed to have ended up as a cover for misusing public funds, and cheques from this and other bodies connected with the ministry are alleged to have been used to pay for Mr Nucci's election posters.

Mr Nucci has denied any wrongdoing and claims to have been the victim of the former director of his private office, Mr Yves Chalier, who be alleges forged his name on various documents and cheques.



SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday August 6 1986

Tourists' fears lift PanAm loss to $152m in quarter

BY TERRY BYLAND IN NEW YORK

US TOURISTS' fears of travelling abroad savaged Pan American's transatlantic business during the second quarter of this year, when the airline suffered a substantially increased net loss of $152.4m or $1.13 a share.

But passenger traffic has recovered strongly as worries over both terrorism abroad and also the Chernobyl nuclear incident have waned in the US. Most of the operating loss of $157m was suffered in the first two months of the quarter and the board estimates that operations were profitable again by the end of June.

Passenger load factor, at 45.7 per cent for the quarter, against 66.9 per cent in the comparable period, tumbled to 41.5 per cent in May but then recovered strongly, reaching 60.1 per cent in July.

In the first quarter of this year, Pan Am narrowed its net loss to $118.4m.

The second quarterly periods are not strictly comparable, since last year's profits were hit by a strike and this year's exclude the Pacific operations, recently sold off to United Air.

In this year's second quarter, fuel costs, a major part of airline operating costs, fell 28 per cent.

For the first half of the year, Pan American has recorded a net loss of $279.1m, compared with $220.5m in 1985. Foreign currency losses increased from $9.3m to $36m for the half year, mostly oo the Japanese yen.

For the whole of fiscal 1985, Pan Am, now the sixth largest US carrier, had a net loss of $292.2m. Deregulation of the US airline business has brought increased competition for Pan Am, as well as a spate of airline mergers aimed at consolidating the more profitable domestic routes in new hands.

Intel to cut jobs outside US

BY LOUISE KEHOE IN SAN FRANCISCO

INTEL Corporation, a leading Silicon Valley semiconductor chip manufacturer, announced that it would lay off 1,320 employees in Barbados and Puerto Rico over the next several months.

The job cuts reflect a continuing slump in US chip sales, the company said. Intel, like most of the major US and Japanese semiconductor makers, is burdened with excess production capacity.

The job losses and plant closure will result in a $35m-$45m charge against third quarter earnings, Intel said.

"We have been investing steadily in manufacturing improvements and the resulting increased productivity coupled with a slow recovery of demand for our products left us with substantial excess capacity which contributed to our net loss of $42.5m for the first half of 1986," said Dr Gordon E. Moore, chairman and chief executive.

Intel said that it planned to close its chip assembly plant in Barbados and put off all 900 workers. "We feel a very strong sense of regret about the impact that our action will have," said a spokesman. "We are the largest employer in Barbados."

Intel will try to find a company that can make use of its facilities in Barbados and employ its workforce, she added.

In Puerto Rico, Intel will close a semiconductor test operation and reduce its systems manufacturing operations, laying off a total of 420 people.

Over the past 18 months, Intel has laid off a total of 2,800 employees, most of them in the US, and reduced its workforce from about 25,000 to 20,000. Previously, Intel had not laid off workers for 11 years.

Arco Plaza sale agreed

ATLANTIC RICHFIELD, the US oil group, and Bank of America, the banking unit of the struggling BankAmerica group, have signed an agreement to sell their jointly owned Arco Plaza in Los Angeles, Our Financial Staff writes.

The buyer is Shuwa Investment, a California subsidiary of Shuwa of Tokyo, and the price was not disclosed.

However, Arco said that it expected an after-tax gain of about $80m on the sale of its interest, while Bank of America said it expected a pre-tax gain of about $200m.

The bank said $70m to $90m of its gain would be recognised in its third quarter.

Salomon names Slater for new London role

BY CLARE PEARSON IN LONDON

SALOMON BROTHERS International, in a move to centralise its international markets decision-making in London, has appointed Mr Miles Slater, 43, a managing director of Salomon Brothers in New York, in a newly created role as head of all international fixed income commitment-taking and joint controller of International Capital Market Services.

Salomon Brothers said yesterday that Mr Slater's appointment would avoid the time-zone difficulties the London office has faced in having to refer strategic decisions to New York.

Mr Slater has been with Salomon Brothers for eight years and has specific expertise in money market activities, funding and interest rate swaps.

"I hope to increase the horizontal integration of Salomon's business by combining my previous experience with that of the technicians in the Eurobond market in London," said Mr Slater yesterday.

Mr Slater will share responsibility for International Capital Market Services with Mr Peter Gottsegen, managing director of International Corporate Finance.

Petrobras surplus rises more than 22%

By Ivo Dawnay in Rio de Janeiro

PETROBRAS, Brazil's largest company, has reported after-tax profits for the half year of Cz 15.28bn ($1.1bn), representing a real rise of more than 22 per cent on the same period last year, the diversified oil and gas group said.

The result, regarded as exceptional by local analysts, will allow payment of a dividend of Cz 18 per 1,000 shares in September, against Cz 13.10 distributed for the last half. Total sales in the half year were Cz 81.8bo ($5.9bn).

The state-owned company said that it had held down the dividend payments to about 10 per cent of profits in order to allow a 10 per cent increase in its costly oil and gas exploratioo and development budget.

Petrobras has already invested some $912m in the first half of this year, and has scheduled a further $1.1bn until the year end.

Programmes for next year will lift the annual investmeot budget from $2bn to $2.2bn.

The company attributed the strong half year result to the impact of falling world oil prices, which have raised profits on imports, and the impact of the measures incorporated in the Government's anti-inflationary Cruzado Plan.

Petrobras was reportedly producing losses in January and February before the de-indexatioo of the economy and the establishment of a new fixed-value currency, the Cruzado, was introduced.

The currency change gave a boost of some Cz 737m, which almost wiped out all the earlier losses. The result was also attributed to savings from a reduction in the company's liability to financial charges alongside a strong rise in domestic demand for petrol.

● TOSCO, the largest independent refiner on the US west coast achieved a strong rebound in profit in the secood quarter, as forecast early in July. For the three months, oet profit totalled $46.91m, or $1.51 per share, against a loss of $55.8m, or $2.38, in the first quarter, and a profit of $18.65m, or 77 cents, in the secood quarter of 1985.

The quarter was profitable despite a slide io sales to $220.4m, down from $434.5m a year ago.

For the first half of 1986 there was a loss of $53.86m.

N. AMERICAN MINING GROUP PUSHES INTO PRECIOUS METALS

Placer reaps golden reward

BY STEFAN WAGSTYL IN LONDON

FEW mining companies have been as successful as Placer Development in turning from unprofitable base metals to gold.

While other, much larger North American groups have struggled under the weight of heavy losses and debt, Vancouver-based Placer has developed Kidston, in Queensland, Australia, one of the largest of a new generation of gold mines which have been brought into production in the 1980s.

In a few days investors will have the chance to put a price on Kidston. Australian government rules limiting the size of foreign shareholdings in Australian companies have forced Placer to float off a share in Kidston and its other Pacific interests in a new company called Placer Pacific, in which trading is due to begin on August 14.

"We were forced sellers, there's no doubt about it," says Mr Tony Petrina, Placer Development's chief operating officer. "We would have held on to those shares if we could have done."

Nevertheless, the sale leaves the Vancouver company with 78.7 per cent of Placer Pacific, which in turn holds 70 per cent of Kidston Gold Mines. Moreover, Placer Development will earn some A$120m (US$72.2m) tax-free in cash from the flotation.

The disposal will leave the group ready to continue its climb up the ranks of the medium-sized Canadian mining companies. Capitalised at nearly C$1100m (US$796m), Placer is still overshadowed by the giants of the Canadian industry – Noranda, Cominco, and Inco – but, while these base metal companies are barely profitable, Placer is reaping the rewards from gold. In its first year of production Kidston contributed half of Placer's 1985 operating income of C$108m.

Founded in 1926, Placer first concentrated upon base-metal mining in Canada, chiefly copper and molybdenum. Its management was strongly influenced by Noranda, which held a 30 per cent stake in the group, which it sold last year to reduce its heavy debts.

In the mid-1970s Placer decided to diversify away from base to precious metals. Mr Petrina said that this had resulted partly from a belief that base metal prices would not perform as well as precious metal prices in the future and partly from a view that the company was wrong to be too dependent on two highly cyclical metals – copper and molybdenum.

The company looked around for promising gold prospects, consciously extending its search outside North America to Australia and elsewhere in the Pacific.

This approach did not bring immediate success. When Placer first looked at Kidston in 1981 it decided, like other companies which had surveyed the site, that the deposit was uneconomic. But a second study concluded that the low-grade ore, close to old mine workings, could be profitably exploited.

Mr Petrina said: "Perhaps we were more persistent than the rest." Mining industry analysts say that Placer was unusually careful in controlling costs in building the open-pit mine, which involved innovative engineering techniques

Placer had an important advantage in developing Kidstoo – its aggressive programme of expansion into precious metals attracted talented executives and engineers at a time when many other North American groups were cutting staff and development spending. Among others, the company hired from the US group Amax, Mr Allen Born, wbo became Placer's chairman and chief executive, before returning to Amax last year as chairman-designate.

Kidston is only the largest of four precious metals mines which Placer Development has brought to production since 1980. The others are Golden Sunlight in Montana, Bald Mountain in Nevada, both gold mines, and Real de Angeles, a 34 per cent owned silver mine in Mexico.

But not everything at Placer has gone according to plan. The push into precious metals was matched by a deliberate expansion of Placer's modest oil and gas interests with the acquisition in 1984 of a US company, Prairie Producing for C$250m. The subsequent fall in energy prices has made the purchase look embarrassingly expensive.

This ambitious investment programme has not stretched Placer financially. Despite spending some C$693m in the past three years, it has cut long-term debt by nearly C$160m, reducing its debt-equity ratio to 25 per cent, which is low by the standards of a capital-intensive industry.

The expansion has been partly funded by the sale of investmeots and by new share issues and by off-balance sheet, non-recourse loans tied to individual mines.

The importance of Placer's newly developed interests are already apparent in its results. In 1981 the bulk of Placer's C$109m operating earnings came from base metals and from Equity Silver, a silver/gold/copper mine. Last year, the group was almost entirely dependent on Kidstoo and its oil and gas interests.

Placer may have mitigated the impact of poor base-metal prices, but it has not escaped from it. Net earnings last year were C$35m, well short of 1981's C$51m, and down oo C$42m made in 1984 when there were exceptional gains in investment sales. This year, the company will earn a healthy profit on the sale of its Placer Pacific shares, but it will suffer from falling oil prices. Midland Doherty, a Canadian stockbroker, is forecasting net profits of C$85m.

Looking to the future, the company said that gold exploration would continue to have the highest priority. It is concentrating on two deposits owned by Placer Pacific in Papua New Guinea – Misima, where a final feasibility project is due to be completed this autumn, and Porgera. In Canada, the group is optimistic about the prospects in Casa Berardi, in northern Quebec.

Plessey loses BT telephones contract

By David Thomas in London

BRITISH TELECOM has changed its suppliers of telephones, cutting out Plessey in favour of the General Electric Company.

Rivalry between the companies has intensified in recent months as a result of GEC's bid for Plessey. Mr Paul Channon, Trade and Industry Secretary, is expected to announce his decisioo on the bid today.

BT, which traditionally places one set of orders each year for its telephone requiremeots, bas changed its suppliers this year, partly because it is introducing more modern telephones.

BT refuses to disclose either the volume or value of its annual telephone orders, but it is understood that in the past its main order has been for about 3m units worth about £50m ($73.5m) of a standard design, known as the Statesman.

In recent years, the Statesman order has been split almost equally between GEC, Plessey and TMC, the subsidiary of Philips.

This year, BT asked its suppliers to bid for a smaller oumber of Statesman phones because it wanted to order more modern phones, the Tribune and the Tremelo.

Both GEC and Plessey bid for the Statesman order. BT gave GEC an order for about 800,000 Statesman phooes, worth about £11m, but Plessey, which has been selling more phones through the retail outlets in the wake of telecommunications liberalisation, received no orders.

It put some workers at its Beeston, Nottinghamshire, factory on short time as a result though full-time working has now resumed.

BT divided its order for the Tribune phone between TMC and Dennis Ferranti Meters, a company based in Bangor, north Wales. Its Tremelo order went to Northern Telecom.

INTERNATIONAL COMPANIES and FINANCE

$50m floater for Australian bank

BY CLARE PEARSON AND ALEXANDER NICOLL

AN INNOVATIVE $50m floating rate note was launched late yesterday for National Australia Benk, which thus became the first borrower from that country to tap the Eurobond market since the Australion Government reversed last week its shock imposition in July of a 10 per cent withholding tax on foreign borrowings.

The original tax measure caused Australian companies virtually to cease tapping foreign capital markets. Despite the Government's about-face, the affair has highlighted for investors the extent of Australia's foreign borrowing and the country's economic problems.

The National Australia Bank issue, bowever, is unlikely to suffer from this because, according to lead manager Nomura International, it bos beeo targeted to meet specific and known investment demand.

It is virtually the reverse of the deferred coupon structure which bas been employed on several bonds recently. For the first four years, the issue has an exceptionally high coupon of 3¼ per ceot over London interbank offered rates. For the remaining three years, it has no conpon at all.

Nomura said a large part of the issue has been placed with Japanese investors keen both on the initial high yield and on the cash flows generated hy this structure.

Elsewhere, dollar straight Eurobond prices fell in reoction to the surprise agreement by the Organisation of Petroleum Exporting Countries (Opec) on production quotas, which rekindled inflationary fears. Dealers marked prices lower by about ½ point, although there was little selling as the market waited to see how yesterday's auction of three-year US Treasury bonds in New York would progress.

Hopes that the auction would go well did not help recent shorted-doted Eurobonds. A $300m 7½ per cent three-year bond for New Zealand, launched on Monday, was bid at a discount to issue price of 1.60, as against 1⅞ per cent commissions. The accompanying five-year deal traded at 97½ bid, 2½ points below issue price.

New Japan Securities Europe, a relotive newcomer to lead-management, launched a $25m equity warrants bond for Matsuyadenki, the Japanese electricals retailing concern. The five-year bond will be priced on August 12, but bears an indicated 2½ per cent coupon.

A glut of issues for "second-tier" Japanese companies has caused some indigestion in the equity warrants market lotely. Nevertheless, the lead-manager reported good demand for Matsuyadenki's deal.

IBJ International said it is arranging a $50m private placement for International Finance Corporation, which will be listed in Luxembourg. The 10-year bond has a coupon of 8¼ per cent and is priced at 99¾.

News of agreement on oil production quotas, while depressing the dollar sector, cheered the Eurosterling morket. This sector has been in the doldrums for some weeks as the oil price has dropped and sterling has traded lower on the foreign exchanges. Yesterday, bowever, bonds gained about ¼ point in morning trading, although higher-than-expected UK bank lending figures trimmed these gains during the afternoon.

The D-Mark market, too, seemed in optimistic mood with price gains of up to ½ point, especially in the newer issues. Bank paper yields in the domestic market dropped to around 6.45 per cent, the lowest level for some time.

The Swiss franc market traded quietly with prices mostly unchanged, even though time deposit rates were cut by the major banks by ¼ per cent to 4 per cent.

A two-tranche issue for Inter-American Development Bank traded for the first time. The SFr 100m 5⅝ per cent eight-year bond closed at par, its issue price. The SFr 125m 12-year 5⅜ per cent tranche closed at 99¼, compored with a par issue price.

Chrysler is expected to issue shortly a dual-currency bood, with its redemption linked to the Canadian dollar exchange rate. It is expected to amount to SFr 50m, and to heve a life of five years.

Kloeckner buys 26% of Greek steelmaker

By Peter Bruce in Bonn

KLOECKNER-WERKE, one of West Germany's biggest steel and engineering groups, has bought o 26 per cent stake in Hellenic Steel, o Greek producer of steel sheet, galvanised sheet and tin plate.

It acquired the stake during the course of a capital-raising exercise hy the Thessalonika-based group. Kloeckner is keen to expood its position in the market for galvanised sheet, which is used io the motor industry.

Kloeckner, which now shares ownership of Hellenic Steel with the Japanese trading house, C. Itoh, and a Greek state-owned bank, ETBH, is also likely to supply Hellenic Steel's modern cold rolling mill with hot strip from its mill in Bremen.

Hellenic Steel produces eome 450,000 tonnes of eheet and thin plate a year. The company employs 1,100 people and recorded soles last year nf DM 380m ($183m). Its product range would suit a company like Kloeckner which is anxious to develop its downstream steel activities but finds the cost of expanding in West Germany prohibitive.

Even the once depressed tin plate market is enjoying something of a recovery at the moment. The metal is used mainly to make cans, but steel cans have come under severe pressure from other materials like aluminium and plastics.

Standard Bank hit by bad debts and tighter margins

BY JIM JONES IN JOHANNESBURG

A SHARP increase in bad debt provisions and o narrowing of banking margins cut the banking profits of Standard Bank, South Africa's second largest banking group, by about one-eighth in the six months to June this year.

However, consolidation of Unisec, the wholly-owned investment holding company, minimised the pre-tax earnings decline and gave rise to a substantial drop in the effective tax rate and an increase to the after-tax profit.

Standard is 40 per cent owned by Standard Chartered of the UK.

The loterim operating profit before interest fell to R969.4m ($379.5m) from R1.14bn due to the combination of falling interest rates and an increase in the provision for bad debts to R90.6m from R57.2m. Interest payments, too, dropped to R870m from R1.04bn which resulted in a small drop in the pre-tax profit to R99.4m from R100.2m.

The pre-tax result includes about R12m in profits from Unisec which was consolidated for the first time. In 1985 as a whole, the operating profit was R2.25bn, interest payments were R2bn and the pre-tax profit was R250m.

Dr Conrad Strauss, the group managing director, says that the economy failed to improve during the first half of the year and that demand for credit fell. Advancea rose by less than 4 per cent to R 16.64bn at endDecember. Total assets increased to R 20.32bn from R 19.31bn during the past six months.

Dr Strauss addde that business failures continue at a high level, which necessitated the increased bad debt provision, and be is not optimistic that the situation will improve.

Although the interim net profit increased to R 92.1m from R 78m, earnings dropped to 92 cents a share from 101 cents as a result of an increase in the number of shares in issue following last year's rights issue and this year's acquisition of full ownership of Unisec.

The interim dividend has been raised to 22 cents from 20 cents. Last year earnings totalled 227 cents a share and a dividend of 71 cents was declared.

Kansallis makes sound progress

BY OLLI VIRTANEN IN HELSINKI

KANSALLIS, the Finnisb banking group, reports a 44 per cent increase in operoting profit to FM 535m ($107.6m) for the first six months of 1986. Total assets at the end of June stood et FM 92.38bn, up 14 per cent from the beginning of this year.

Total asseta of the group's parent hank, Kansallis-Osake-Pankki grew by 14 per cent to FM 76.55bn.

Profit before provisions and tax amounted to FM 399m for the six months, up 66 per cent. Net interest income increased by 27 per cent during the period, while expenses and credit losses rose by 19 per cent.

● Huhtamaki, the industrial group, is raising its capital to FM 283.3m from FM 210m through the issue of 3.7m new shares. The board will also be asking shareholders for authority to raise capital by a further FM 1m in the next 12 months, the group said.

The capital increases will be used partly to fund the building of a biomedical research centre in Turku, west Finland. Huhtamaki has interests in pharmaceuticals, food processing and confectionery, with plants in the US, Canada and Ireland.

Helaba 10% ahead at mid-term

HESSISCHE LANDESBANK (Helaba), one of West Germany's largest publicly owned banks, reports o 10 per cent rise in operating profit from DM 177m to DM 195m ($93.8m) during the first half of 1986, writes **David Brown in Frankfurt.**

This was due in large part to unspecified earnings from trading on its own account. Interest income rose from DM 273m to DM 281.6m, witb higher volumes compensating for lower interest margins. Commission earnings climbed by DM 10.2m to DM 321.4m.

● Bayerische Vereinsbank reports its "partial" operating profit, excluding own account trading, rose from DM 328.8m to DM 340.7m for the half-year. Interest earnings climbed by 4.2 per cent to DM 708.7m. The bank said commission earnings climbed more sharply, by 21.4 per cent, to DM 189.5m.

Last week, its major Bavarian rival, Bayerische Hypotheken- und Wechsel-Bank (Hypo Bank), reported a 1.3 per cent rise in partial operating profits to DM 448m.

Saga Petroleum cool on merger talks

By Fay Gjester in Oslo

SAGA PETROLEUM, the Norwegian independent oil company struggling with severe liquidity problems, has refused to comment on reports that it may link with Total Marine, of France, or Belgium's Petrofina, although executives of the Norwegian units of Total Marine and Petrofina have confirmed "informal contacts."

Saga will say only that it is conducting preliminary, informal soundings with "several companies" and that it may take "a couple of weeks" to determine whether there are grounds for more detailed negotiations.

Last month Saga broke off merger talks with the Norwegian subsidiary of Elf Aquitaine. So far it has been unwilling to accept a counter offer made by Norsk Hydro, the Norwegian energy and industry concern.

Saga urgently needs fresh capital because the consortium of international banks is threatening to curb the company's drawing right under a $1bn loan agreement

Japan eases capital flow rules

BY YOKO SHIBATA IN TOKYO

THE Japanese Ministry of Finance (MoF) has lifted a ban on investment by residents of the country in foreign currency denominated money market funds, as the first step in a series of measures to ease regulations on capital outflow.

Mr Makoto Utsumi, director-general of the ministry's International Finance Bureau, yesterday met Mr Yasuhiro Nakasone, the Prime Minister, to inform him of the moves. Action to deregulate capital flows is aimed at stemming the yen's appreciation against the dollar.

Easing of the current restrictions is intended to take place on a phased basis from this month. Other measures under contemplation are:

● Rules on investment in foreign securities through pension accounts by insurance companies and trust banks may be eased. The ministry is considering raising the ceiling in life insurances companies' holdings of foreign securities and other foreign currency denominated assets from the present 25 per cent of total portfolio to 30 per cent.

● Credit co-operatives will be allowed to invest in foreign bonds under ministry plans. This represents an early step in official moves to ease restrictions on foreign bond investment by smaller financial institutions.

● The Agricultural, Forestry and Fisheries Ministry will be urged by the MoF to adopt easier rules on similar investments by farm-related institutions.

● A relaxation of rules which now limit overseas private placements of yen-denominated foreign bonds in Japan—known as Samurai issues—to not more than one third of publicly offered Samurai bonds. This would be facilitated by the fact that foreign issuers of yen bonds for private placement would convert the yen funds into dollars for remittance.

Growth at Sapporo Breweries

BY OUR TOKYO STAFF

SAPPORO Breweries, Japan's second largest beer producer, registered pre-tax profits of Y4.35bn ($28.2m) in the first half to June, up 8.7 per cent, buoyed by strong domestic demand in an industry where exports are negligible.

Net profits rose 11 per cent to Y1.92bn, on turnover of Y189.92bn, up 8 per cent. Net earnings per share moved up to Y6.76 from Y6.07.

Sapporo expects to boost its full-year profits to an all-time high on the strength of good demand for beer and other beverages. Pre-tax profits are predicted at 11bn, on turnover of 425bn.

In the first six months, beer sales expanded 9 per cent to Y178.6bn, accounting for 94 per cent of total turnover.

Nippon Denso shows decline at six months

By Our Tokyo Staff

NIPPON DENSO, Japan's top maker of electronic cor components, has reported pre-tax profits of Y37.76bn ($244.8m), down 15 per cent, in the first half to June.

Net profits of the Toyota affiliate declined by 21 per cent to Y16.77bn, on sales of Y491.77bn, up 11 per cent. Nippon Denso said profits of Y22bn from the effect of volume production and lower primary costs were more than offset by an exchange loss of Y19bn and a higher depreciatioo cost of Y4.7bn.

Sales of its car air conditioners and other automotive parts grew 8 per cent. Those of its electronic fuel injectors surged 36.3 per cent thanks to a boost in sales to Mazda Motor. Full year pre-tax profits are projected at Y75bn on sales of Y960bn. The dividend is to be held at Y13 per share.

Schlumberger reduces water utility stake

By Paul Betts in Paris

SCHLUMBERGER, the international oil services group, has reduced its stake from 10 per cent to 5 per cent in Compagnie Generale des Eaux, the large privately owned French water utility.

Schlumberger, which sold its shares in Generale des Eaux for about FFr 1,200 each last week, originally acquired its 10 per cent stake in the water utility three years ago to counter balance a controversial effort by Saint-Gobain, the French state-owned glass and pipes group, to acquire a major shareholding in the water company.

Saint-Gobain originally took 35 per cent of Generale des Eaux but was then forced to reduce this to 20 per cent. It recently cut back further to a 5 per cent stake in the water utility, raising about FFr 2bn ($294.4m).

Following the Saint-Gobain sale of Generale des Eaux shares, Schlumberger felt that it no longer had to retain its entire 10 per cent holding to help guarantee the independence of the water company. The French state-owned Banque Nationale de Paris and the UAP insurance group acquired the shares in the water utility sold by Schlumberger last week.

NEI Africa lifts sales

By Our Johannesburg Correspondent

NEI AFRICA, the 58 per cent-owned South African subsidiary of the UK's Northern Engineering Industries, increased its interim turnover to R142m ($55.2m) in the six months to June from R123m, in part as a result of acquisitions.

Pre-tax profits were R12.9m, up from R11.9m.

The company manufactures and distributes heavy engineering equipment. In May and June NEI acquired Cutler-Hammer's South African interests and the franchises for Eaton and Fuller transmissions and Mack trucks. At the start of this month NEI sold its Fiat-Allis earth-moving machinery franchise.

Net earnings increased to 136.6 cents a share from 126.8 cents and the interim dividend has been raised to 41 cents from 38 cents.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on August 5

US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield

[illegible]

OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield

[illegible]

FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld

[illegible]

CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem

[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Emilia Tagaza in Canberra reports on a growing investment trend

Australians queue for offshore funds

THE PLUNGING Australian dollar and the dim prospects for improvement in external eccounts are causing e mild flight of capital from Australia. Nervous investors, especially small personal investors, are queueing up to find overseas homes for their funds.

The growing sense of unease was first felt by international trust funds which have reported that in the six months to June they accepted at least A$400m (US$260m) in small investors' money for placement in foreign stock markets and other harder-currency instruments. This compares with the full-year estimate of only A$100m in 1985.

Large institutional investors, including those which manage huge pension or superannuation funds, are also increasing the proportion of their offshore placements. Until last year, most of these institutions' overseas investments averaged 5 per cent to 10 per cent of their total funds. This has now risen to between 25 and 40 per cent. At least one large and two smaller institutions are known to be holding half of their total investments abroad.

These figures compare with an average proportion of offshore investments by British funds of just over 15 per cent, and the US average of 10 per cent.

Although institutional investors began increasing their foreign holdings after the Government floated the Australian dollar and lifted exchange controls in late 1983, the recent run on the currency had speeded np the rate of outflow.

The Australian Mntual Provident Society (AMP), the country's largest insurance group with about A$15bn in funds, remains conservative, with only 10 per cent in offshore placements. Nevertheless, this is a substantial rise from 6 per cent two years ago.

Mr Francis Geevers, AMP's international investment manager, says the future ratio of AMP's foreign investments will rise or fall depending on whether the Australian economy improves or deteriorates further in the next few months. The bulk of the company's current foreign portfolio is in the US and Japan.

AMP, National Mutual Life Assurance and BT (Bankers Trust) Australia together control an estimated A$25bn of Australia's more than A$50bn fund management industry.

National Mutual's funds are estimated at A$7bn and between 20 and 25 per cent are now placed offshore. It has five full-time Australia-based fund managers supported by a hranch in London. BT Australia, with about A$2.5bn, now puts about 25 per cent of its portfolio abroad and has one full-time fund manager in New York.

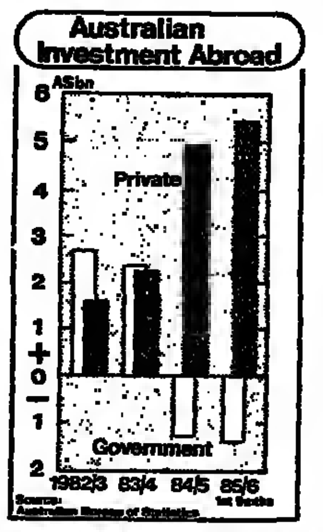
High offshore yields are also attracting the capital of Australian corporate magnates who feel the onset of diminishing rates of return at home. Apart from famous names such as Mr Rupert Murdoch, Mr Robert Holmes à Court and Mr Alan Bond, a stream of other Australian entrepreneurs have recently been spotted abroad, shopping for investment opportunities.

Before the financial deregulation of 1983, institutional investors were required to place 30 per cent of their funds in productive Australian ventures. With the dismantling of such a limit, more funds flowed offshore.

Records at the Australian Bureau of Statistics show that direct foreign investments by Australian companies rose sharply from A$803m in 1982-83 to A$1.3bn the following year, and to A$2.4bn in 1984-85. Most of the investments were in foreign equities.

Offshore investments of portfolio managers also rose substantially — from A$753m to A$932m—after the deregulation.

The recent capital outflow is attributed more to anxiety over Australia's economic prospects than to deregulation. According to Mr Charles Macek, investment manager of County Bank, the merchant banking arm of National Westminster Bank, the shift of funds abroad by personal investors is more defensive than anticipatory.



The main beneficiary of this defensive mood are offshore unit trusts, the ranks of which have swelled in response to unprecedented demand for their services. Last year there were only eight offshore trusts in Australia, but the numher recently rose to 37.

Kleinwort Benson Australia, which opened an offshore trust operation last month, expects to attract A$20m in its first year. The company expects foreign stock markets to remain more attractive than the Australian market, and the Australian dollar to continue weak because of rising inflation and depressed commodity prices.

The outward rush of capital has been estimated at A$3bn to A$4bn in the past 12 months, a factor that had certainly abetted Australia's 1985-86 current account deficit of A$14.3bn. Because the outflow has not been matched by enthusiasm from foreign equity investors, local companies have increasingly resorted to overseas borrowings for part of their capital requirements.

With total foreign deht now standing at about A$80bn, and with little hope of export income improving, the Government had started a campaign both to curb companies' foreign borrowings and to attract more foreign equity capital.

On July 1 Mr Paul Keating, the Federal Treasurer, announced the removal of the exemption from withbolding tax of the interest on foreign borrowings by Australian entities, hoth private companies and federal or state corporations or authorities.

Although he later restored the exemption of Anstralian securities in hearer or registered forms, the tax still applies on horrowings by state corporations and authorities.

Moreover, in order to lure more foreign equity capital, Mr Keating has also announced new investment guidelines wbich dismantla most restrictions on foreign equity investments.

Komatsu earnings fall 43% at six months

BY YOKO SHIBATA IN TOKYO

KOMATSU, the Japanese maker of earthmoving equipment, suffered a 43.4 per cent drop in pre-tax profits to Y14.25bn ($92.38m) in the half-year to June. It attributed the decline to poorer price competitiveness resulting from the yen's appreciation, and redneed demand from oil producing countries following the oil price retreat.

Net profits for the parent company were down 43.8 per cent to Y7.31bn, on turnover which at Y311.16bn was up 5.8 per cent from a year before. Net earnings per share declined to Y8.81 from Y15.89.

Sales of construction equipment, the main line of business, rose 3.4 per cent to Y255.83bn, or 82.2 per cent of the total turnover. Outside this sector, sales totalled Y55.3bn, up 18.7 per cent, thanks to a 49.6 per cent jump in sales of metal forming machinery led by presses to car manufacturers both at home and abroad.

Industrial machinery showed a healthy 57.8 per cent jump to Y5.6bn because of higher orders from car manufacturers for metalworking systems.

Exports rose 12 per cent overall to account for 56.5 per cent of the total turnover.

Full-year pre-tax profits are projected at Y28bn, down 33.4 per cent, on turnover of Y610bn, up 1.7 per cent. The per share annual dividend will be maintained at Y8.

Glynwed tops £19m and looks for further growth

DESPITE DISAPPOINTING results from most overseas offshoots Glynwed International raised its first-half profits by 20 per cent and is looking for further improvement during the second six months.

The half year to June 28 1986 saw group turnover slip to £237m (£240.3m), but profits at the pre-tax level advance from £16.1m to £19.3m.

City analysts had been expecting higher figures, the popular guess being around £20m.

Earnings for the period rose from 10.03p to 11.91p and the interim dividend is being stepped up from an adjusted 3p to 3.6p net per 25p share.

The directors said yesterday that the increased earnings resulted from better trading profits, particularly from the consumer and building products and tubes and fittings divisions.

The results also benefited from a continuing strong cash flow from the steels and engineering sectors which helped to reduce interest charges by £0.8m to £1.3m.

With the exception of Philmac in Australia the results from overseas were described as disappointing. However, the directors said the group's overall results were up to their expectations.

They were looking for second half profits in excess of last time's £19.5m.

Earlier this year the group acquired Brickhouse Dudley, a West Midlands specialist pipe maker, for £23m. Philmac was purchased at about the same time.

comment

Glynwed added the "International" to its name some 4 years ago but it is the international division which took the shine off what was another very good set of figures and the shares closed down 6p at 306p. Although the company sold the bulk of its South African interests before the start of the recent troubles, it still has a foundry and a cooking appliances division there which it has been unable to sell. Further rationalisation is needed before chief executive Gareth Davies can add to the overseas exposure through acquisitions. In the UK, Glynwed has continued to extract healthy profits from unfashionable sectors, whilst blazing the acquisition trail. Brickhouse Dudley, manhole cover makers, should contribute over £2.5m in a full year and the two steel companies, bought only in the last few weeks, should add a further £1.5m. Further acquisitions are likely now that gearing is down to around 15 per cent. In the long term, building products will be split from the consumer division and the two will jointly represent a larger proportion of group turnover. With a contribution from Brickhouse and some seasonal benefits for consumer and building in the second half, full year profits should be around £45m, allowing the company to more than meet its self-proclaimed target of 20 per cent growth in earnings per share. The prospective multiple of 10.5 thus looks undemanding.

Highams' canal bid unconditional

Highams, the privately-owned industrial textiles group, yesterday declared unconditional its contested £37m takeover bid for the Manchester Ship Canal Company, but the defending side strongly urged shareholders to take no action.

The continuation of the battle stems from the MSCC's curious shareholding structure.

Highams held 51 per cent of MSCC's equity before it launched its bid, but only 31.77 per cent of the votes. To comply with Takeover rules, it sold some 225,000 preference shares to reduce its voting strength to under 30 per cent before launching its offer. However, the Panel ruled that it could declare its offer unconditional once it had received acceptances covering a mere 121,700 shares, lifting its equity holding above 51 per cent again.

Yesterday Highams said it now spoke for 50.1 per cent.

Highams plans to divide its blocks of shares into small parcels, held by associates, which would then boost its voting strength to above 50 per cent.

Sumrie accounts qualified as bank limits overdraft

BY TERRY POVEY

Sumrie Clothes, the Leeds-based men's suit manufacturer chaired by Mr Michael Hepker, has reported a pre-tax loss of £212,000 for the year to March and indicated that auditors Price Waterhouse will qualify the company's accounts.

Last summer Mr Hepker was the centre of a series of allegations made in Parliament concerning borrowings from Johnson Matthey Bankers by offshore companies with which he is associated. Investigations into some of these allegations have been concluded with statements from the police and the Department of Trade that no further action was to be taken.

However, an enquiry by Department of Trade appointed inspectors into the ownership of Sumrie Clothes is continuing—many shares are owned by offshore companies linked to Mr Hepker.

Mr Peter Webb, a partner in the Leed's office of Price Waterhouse, confirmed that the auditors would "probably" be qualifying the accounts. They gave a true and fair view of the state of the company's finances only if adequate external financial backing continues to be available, said Mr Webb.

Yesterday Sumrie Clothes was shut for its annual holiday and Mr Hepker was unavailable to comment on the figures. Mr Meir Spungin, non-executive marketing director, said that trading losses had been greatly reduced to £146,000 (£328,000) and that break even was in prospect for this year.

Under pressure from Barclays, the company's bankers, Sumrie was obliged to reduce its overdraft facility from a peak of around £700,000 to a current £350,000

ICI buys

IMPERIAL Chemical Industries has bought a 51 per cent stake in a private Brazilian company, Explo-Industrias Quimicos e Explosivos, which has sales of $35m to $40m and a one-third stake in its domestic civil explosives market. ICI, claims 25 per cent of the non-Communist market for civil explosives.

Tranwood fails in £69m bid for Aitken

By Charles Batchelor

THE AMBITIOUS £69m takeover bid from Tranwood, Mr Nick Oppenheim's shell company, for Aitken Hume, the troubled financial services group, failed yesterday after the independent directors of Aitken's US fund management arm refused to sanction a change of control.

Mr Oppenheim acknowledged the defeat of his 12-week old bid attempt despite having won acceptances from the owners of a total of 52.8 per cent of Aitken's shares, in addition to 1.2 per cent it owned, a level sufficient in normal circumstances for success.

Despite its narrow escape from Tranwood a question mark still hangs over Aitken's future. Even after the arrival of a new chief executive in the shape of Mr Tony Constance from Manufacturers Hanover Trust and a clearing of the decks at Aitken, the company remains vulnerable to a bid from a weightier adversary than the little-known Tranwood.

The success of Tranwood's bid depended on the US directors of National Securities & Research Corporation (NSR), Aitken's US fund managed group, approving a change in the ultimate ownership of the company. There is believed to be no precedent for the ownership of US funds changing hands by means of a hostile takeover of a non-US company.

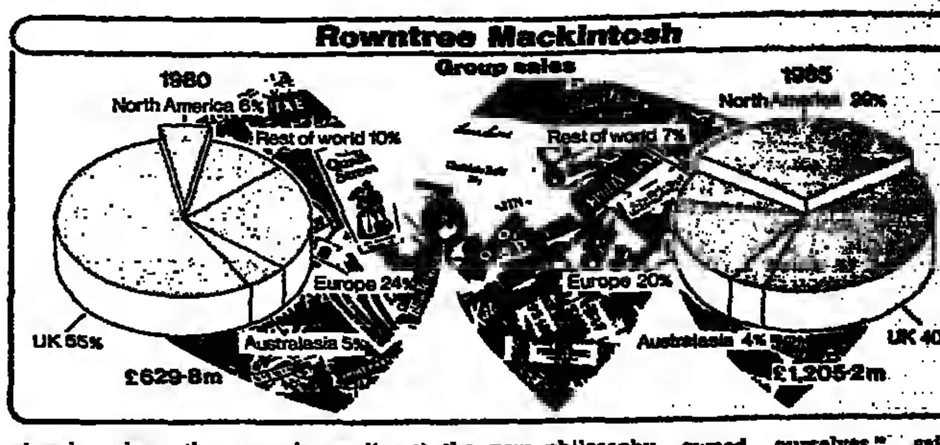
NSR's independent directors, said their opinion "after substantial deliberations, is that Tranwood control over NSR would not be in the best interests of NSR's mutual funds and their shareholders."

Mr Tony Constance said: "I hope we can get back to developing the business now. Things are going well despite all this nonsense." Despite management changes made by Mr Constance, analysts were surprised by the extent of problems revealed at Aitken

● Chessminster Group, a Canadian company, has acquired a 14.76 per cent stake in Benlox Holdings, an industrial holding company headed by Mr Michael Buckley, a former chairman of Tranwood. Benlox caused a stir when it sold its entire holding in Tranwood during the Aitken Hume bid.

Lisa Wood on Rowntree's proposed purchase of Sunmark

Willie Wonka on Quality Street



ROWNTREE MACKINTOSH, the York-based confectionery and snacks group, which yesterday announced its intention to acquire Sunmark, a US sweet manufacturer, has been building up its North American activities with some determination over the last five years.

It is a careful if cautious strategy that has paid off to date with the City viewing the Kit Kat and Quality Street confectionery manufacturer as a solid cousin to Cadbury Schweppes, which with Mars, account for about 80 per cent of UK confectionery sales.

Cadbury too has been looking to the US, albeit taking a different strategy to Rowntree and with mixed success.

"Comparing Cadbury with Rowntree is like talking about gentlemen and players," said Mr David Lang of Henderson Crosthwaite. "Cadbury is more exciting but less predictable."

For while Cadbury has attempted to take head-on the US confectionery giants, Hershey Foods and Mars, Rowntree has taken a more circuitous route by acquiring businesses such as Tom's Foods, a fast food snacks business, Laura Secord, a chocolate maker with shops in Canada and now in the US and the Original Cookie Co, a chain of shops where biscuits are cooked in the shop.

In 1985 these North American activities accounted for 29 per cent of Rowntree's £1.2bn turnover compared with 6 per cent in 1980. The latest acquisition will take this share up to an estimated 35 per cent. The UK last year accounted for 40 per cent of turnover.

The acquisition strategy helped bring taxable profits up to a respectable £79.3m in 1985, a rise of £4.8m over the comparable period. The contribution from North America, where all group companies increased their profits by an overall rise of 18 per cent, was £37.2m.

It's all a far cry from 1979 when Rowntree's profits collapsed from £45m to £31m in a decade when the group's fortunes waxed and waned.

The first great jolt to the company came in 1973 when a catastrophic series of events in its cocoa trading activities lost the company £32m. Rowntree, with a substantial holding in Northern Foods was forced to abandon any intention to take the group over.

Then followed a focussing on the confectionery business and several halcyon years with the confectionery maker investing heavily in new plant and products such as its Yorkie and Kit Kat bars with Continental Europe being targeted as a major area for expansion.

"Suddenly," said Mr Lang, "everything started to go wrong. The Continent, with its very fragmented markets, was difficult to crack and sterling exploded. VAT was imposed in the UK market with the result that total confectionery sales fell.

"Mars, a major competitor, started a very aggressive marketing strategy and Rowntree's volume of sales fell at a time of finalising the major investment in new plant."

A total re-think of strategy began at Rowntree. It was in 1981 that the then incoming chairman, Mr Kenneth Dixon, spelt out the new philosophy. Renewed growth, he said, would come from confectionery with attention to brands and cost reductions.

"It will also require expansion by acquisition and a broadening of our product range by building up positions of strength in new markets."

While its performance in the UK market has gained momentum over the 1980s, the takeover trail began in 1981 with a £42m rights issue. "In order to grow at a proper rate, acquisitions had to be one of the means," said Mr Dixon.

Then ensued an unsuccessful £75m bid for Huntley & Palmer, the biscuit maker. Adamant, to diversify from its core confectionery business Rowntree, bought Riley's Potato Crisps, of Scunthorpe, a business that has performed satisfactorily to date.

Since 1969 Rowntree had had a licensing agreement with Hershey Foods for it to manufacture and distribute the Kit Kat and Rolo lines. It's a business that has performed well for Hershey with Kit Kat being among the top 10 confectionery lines in the US.

"However, we took the view that it was right to build a business in the US which we owned ourselves," said Mr Dixon.

Rowntree unsuccessfully initially looked for a confectionery business in the US. In 1983 it settled on Tom's Foods, a sizeable and established snack food manufacturer which it bought for £137m at a time when the exchange rate was around $1.60 to the pound.

In the same year Rowntree made a £20.1m acquisition of Laura Secord, bought from J. Labatt, the brewing group.

The two deals significantly shifted the geographical balance of the business, a move that has been built upon by the acquisition in 1985 for £32.5m of the Original Cookie Co which sells US style freshly baked

After this series of fairly small US acquisitions, since Tom's, this latest purchase, bringing a 4 per cent share of the $2bn US sugar confectionery market, and the famous Willie Wonka name, is viewed by the City as bringing a fresh momentum to Rowntree whose profits, albeit sound, have suffered over the last two years from mixed fortunes in Europe, South Africa and Australasia. In addition, a strengthening of sterling exchange rates has affected UK export volume and profitability.

Viewers encouraged to buy Yorkshire TV shares

BY RICHARD TOMKINS

Yorkshire Television, the independent television company being floated on the stock market in two weeks, will aim to encourage Yorkshire viewers to become shareholders by advertising the offer for sale in its own airtime.

Mr Paul Fox, managing director, said yesterday that one of the main aims of the flotation is to widen the spread of ownership of the company's shares, and that no new money will be raised through the issue.

"We want to give our staff and the people who live in our area the right opportunity to invest in our company and to share in its success," Mr Fox said.

Staff will be given preferential rights to apply for 10 per cent of the issue but it will not be possible to offer favourable terms to Yorkshire viewers, he said. Local advertising is the best means of ensuring that as many Yorkshire people take part in the offer as possible.

Some 25 per cent of Yorkshire's equity is being sold. Nearly 10 per cent will come from Yorkshire Post Newspapers, which is selling the whole of its stake, and W. H. Smith, Bass and Pearson are each reducing their holdings to 21 per cent. The company's market capitalisation will be about £40m and the prospectus is due out on August 22.

The City expects Yorkshire to make a pre-tax profit of about £7m in the year to this September compared with £3.6m last year. The 1985 figure was hit by an unexpected drop in television advertising generally, but Yorkshire says that in the first six months of this year it has experienced a 26 per cent growth in revenue from airtime sales.

Mr Fox said he was confident that Yorkshire will be granted a renewal of its franchise in 1990 or 1992 and dismissed the Peacock report suggestion that franchises might in future be auctioned. "There is no way the IBA is going to give over its functions to Sotheby's," he said.

Birds Eye in talks for sale of distribution side

BY DAVID GOODHART

Birds Eye Walls, the Unilever subsidiary, confirmed yesterday that its distribution operation is up for sale. It has already begun discussions with National Freight, Christian Salvesen and Hays Distribution Services, and hopes to conclude a deal in the next eight weeks.

The distribution operation is the largest of its kind in the UK with 500 vehicles, seven regional centres, and 1,500 employees.

Over the last five years, since the merger of Birds Eye and Walls, the distribution division has been built up with considerable investment in new depots. However over the same period the fashion among large retail groups has shifted towards independent transport operations.

Birds Eye said yesterday: "In the light of the changing needs of the trade the company has now concluded that the trade and the company would best be served if the distribution operation became independent."

The company has said it will continue to use the independent operation. Mr Philip Bushill-Matthews, the sales and distribution director, said: "I can re-assure our customers that the service they receive will be at least as good as its present level throughout any period of change."

British Alcan falls £5.5m

ALTHOUGH metal prices have been stable in the first six months of 1986 they were well below last year hitting profits of both ingot and fabricated products at British Alcan Aluminium. The wholly-owned subsidiary of Alcan Aluminium of Canada reported pre-tax profits down by £5.5m to £17.4m. Turnover was up from £321.9m to £327m.

Further rationalisation at three sites was started and will continue throughout the year. The directors state that the cost was fully provided for in late 1985 and the period under review. The benefits should be seen in the coming months.

Operating profits came out at £26.3m (£33.7m) and the pre-tax figure was struck after interest charges of £8.9m (£10.8m). The tax charge was £1.3m (£2.1m).

Capital spending in the first six months was £9.9m and the total for the year was likely to exceed the £21.7m spent in 1985, directors said. In May the company announced it would be spending £10m throughout the next two years at its rolling mill at Rogerstone in South Wales.

DIVIDENDS ANNOUNCED

T. Cowie ....int	1.75	Aug 22	1.25	—	3.5
Glynwed ....int	3.6	—	3*	—	8.4*
Independent Newsp. int	¶4	—	3.33*	—	10*
Ernest Jones	1.4‖	Oct 6	2.5	5.3‖	3.9
Kennedy Brookes ...int	0.75	Jan 2	0.48*	—	1.44*
Meldrum Inv ....int	2.2	Sept 12	2	—	5.5
Pleasurama ....int	2	Oct 6	1.75	—	7.5
Unitech	4.26	Oct 1	3.68	6.5	5.64

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish pence throughout. ‖ For 18 month period.

Pacer Systems shares up 20p as profits double

BY ALICE RAWSTHORN

Pacer Systems, the USM-quoted US defence supplier, reported a virtual doubling in pre-tax profits to $632,000 (£416,000), against $327,000, for the six months to June 30, prompting a 20p rise in the share price to 201p.

Turnover increased by 62 per cent to $11.86m (£7.9m) in the interim period. Diluted earnings per share rose to 7 cents from 4 cents and undiluted earnings per share to 8 cents from 5 cents.

Mr John Rennie, the chairman, said the first half of the year was unusually strong—buoyed by a healthy order book for Pacer's core business of supplying computer systems to US air, land and sea military equipment—and although the second half should see growth in profits, the pace of growth would slacken.

Supplying systems services to the US Navy still provides some 80 per cent of sales, but Mr Rennie expects that proportion to fall, slowly but surely, over the next five years as the company diversifies away from the increasing competitive services sphere into new areas.

Pacer has three new products coming on stream: a radar training system, which will begin prototype demonstrations in the autumn; products in the maritime moisturisation sphere which will go into prototype demonstrations this autumn; and a new ship stability system which has already won orders from the US Navy. All these products should produce sales in early 1987 and will contribute to profits immediately.

"As a company we are entering a period of transition," said Mr Rennie. "We intend to build on our existing business but are developing new products to carry us into new markets and, eventually, balance out the profits from systems services.

The company plans to invest 8 per cent of sales in research and development in the current financial year. It is also considering a series of acquisitions within related areas of the defence electronics industry in both the US and Europe.

High	Low	Company	Price	Change	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord ...	131	—	7.3	5.6	8.0	7.8
181	121	Ass. Brit. Ind. Culs	131	—	10.0	7.6	—	—
125	43	Airsprung Group	112	—	7.5	8.8	7.0	8.3
46	28	Armitage & Rhodes ...	33	—	4.3	13.0	4.1	4.8
185	108	Bardon Hill	180	—	4.6	2.5	21.1	18.4
79	42	Bray Technologies	79	—	4.3	8.4	9.4	8.6
201	75	CCL Ordinary	80	—	2.9	3.6	6.7	8.9
152	86	CCL 11% Conv Pref ...	86	—	15.7	18.3	—	—
232	80	Carborundum Ord	232	+ 2	8.1	3.9	11.2	11.5
94	83	Carborundum 7.6% Pref	90	—	10.7	11.9	—	—
65	46	Deborah Services	65	—	7.0	10.8	8.8	6.8
32	20	Frederick Park Group...	22½	− ½	—	—	—	—
125	50	George Blair	120	—	3.8	3.2	3.1	4.4
69	20	Ind. Precision Castings	69	—	3.0	4.3	18.2	15.2
218	186	Isis Group	166	—	15.0	9.1	12.7	18.0
120	101	Jackson Group	120	—	6.1	8.1	6.2	7.3
367	228	James Burrough	367	+ 3	17.0	4.8	10.3	9.4
100	85	James Burrough 8% Pf	100	—	12.9	12.9	—	—
96	56	John Howard Group ...	57	—	5.0	8.6	—	—
975	342	Multihouse NV	975	+25	—	—	81.1	66.6
380	280	Record Ridgway Ord...	374	—	—	—	6.7	11.5
100	89	Record Ridgway 10% Pf	89	—	14.1	16.8	—	—
82	32	Robert Jenkins	73	—	—	—	2.2	4.8
37	28	Scruttons 'A'	37	+ 1	—	—	—	8.6
100	66	Torday & Carlisle	97	− 3	5.7	5.9	5.9	6.0
370	320	Trevian Holdings	320	—	7.9	2.5	6.7	8.8
67	25	Unilock Holdings	66	—	2.5	6.2	12.2	11.4
200	93	Walter Alexander	200	—	8.9	8.8	11.3	13.5
226	190	W. S. Yeates	192	+ 2	17.4	9.1	19.2	21.3

Pleasurama 20% higher at £19m

Pleasurama yesterday revealed that its first-half profits had risen by 20 per cent at the pre-tax level despite its London casinos being affected by a reduction of foreign visitors to the capital.

In all, the London casinos achieved a small profits increase but those in the provinces showed healthy organic growth.

Elsewhere, the amusement machine sector performed well ahead of the previous year and the leisure and botels divisions both produced strong performances.

The directors said they were encouraged hy the overall first half profits growth and added that they believed 1986 would prove to be another successful year.

Meanwhile, in view of their confidence in the future they are increasing the interim dividend from 1.75p to 2p net per 5p share.

Turnover for the first six months (to June 29 1986) expanded from £71.2m to £80.55m and et the trading level profits pnshed ahead by £1.94m to £19.31m.

Pre-tax profits improved from £16.03m to £19.21m after taking account of interest charges of £106,000, down from £2.1m, and an associates' share of profits last time of £762,000.

Basic earnings rose to 13.10p (10.81p) after tax of £7.3m (£6.73m).

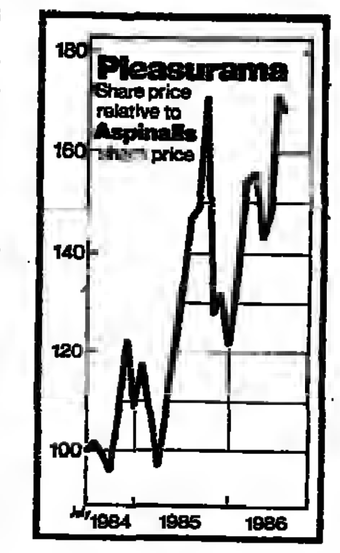
The directors said it was an untypical half year because of unfavourable external factors which affected its London casinos—thesa include The Clermont, Maxims and The Victoria.

The coach-based holiday activities also achieved increased profits. Last month the group ecquired National Holidays, the country's leading coach holiday operator, from the National Bus Company.

The directors aummed up by saying the group had a continuing strong cash flow and remained well placed to expand further, both organically and by acquisition.

● comment

Even the hardened gamblers who frequent Pleasurama's casinos were unwilling to risk a trip to terrorist-threatened London in May and tha pre-tax profits were thus £1m shy of what they might have heen without the Libya factor. In the longer term, Pleasurama's clientela is diversifying to include Far-Eastern businessmen and the golden young men of the new City to edd to the traditional base of oil-rich Araba. Strict rules prevent the expansion of London casino capacity bnt there is room for in-filling in the provinces. The Pleasurama strategy is to use the cash generated by the casinos to diversify into the rest of tha leisure industry. That means more acquisitions of holiday companies like National Holidays and more "fun pubs" where tha punters drink their pina coladas to the strains of "Wham." The same pubs can be used to house the company'a ever-widening range of amusement machines. The second half figures should show some



improvement as the high-rollers return and profits of £46m lool. feasible, putting the shares at 320p on an undemanding fully-diluted prospective p/e of 12.

Unitech finishes year with 29% fall

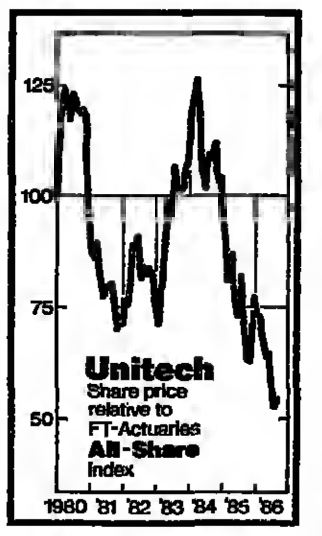
Unitech, the electronics equipment manufacturer, has reported pre-tax profits down by 29 per cent, from £15m to £10.7m for the year ended May 31 1986, after being some 31 per cent behind at half-way.

The dividend is raised from 5.64p to 6.5p, with a final of 4.26p.

The directors said at the interim stage that the group had experienced difficult trading conditions, particularly in the semi-conductor distribution companies; and the component marketing division accounted for all of the profit shortfall.

Over the year profit from that side fell to £4.59m (£8.2m) and for electronic equipment and sub units the fall was £1m to £1.42m following reductions of £2.24m and £2.1m respectively in sales at those divisions.

Components manufacturing sales fell by £1m to £33.54m but profit was up to £2.46m (£2.1m), while industrial controls achieved sales of £24.4m (£25.4m) and profits of £1.25m (£1.45m).



After tax £4.28m (£6.1m) and minorities £87,000 (£263,000) the attributable profit came to £6.36m (£8.63m).

There were extraordinary charges of £1.17m (£395,000) including a loss £443,000 on closure of CES Computer Electronic Systems in Germany.

● comment

The City has been regaled with, and disappointed by, too many promises of recovery in the electronics sector for it to be receptive to Unitech. The company claims that although sales have been static in the first half there is some hope for recovery in the second. Analysts are more sceptical, countering that the only real hope for recovery hinges on an increase in end user demand. As yet there is no sign of such an increase, nor is there likely ot be until the US and thereafter the European economies return to growth. In the meantime Unitech has little option hut to cling to its strategy of jeopardising margins in order to maintain market share. The strategy is, at least, working. The company held its market share in every market except one Italian franchise last year and increased it in West Germany. Yet the shares fell by 8p to 187p yesterday and analysts have downgraded profit projections to £11.75m for the current year. The shares have been sheltered from the slump by bid speculation and the prospective p/e of 11.6 seems sufficient even allowing for the possibility of recovery in 1987-88.

Brown & Tawse rights to fund two purchases

BY RICHARD TOMKINS

Brown & Tawse, the distributor of steel and pipeline products, yesterday announced the acquisition of two pipe and tube suppliers for £4.4m and proposed a one-for-three rights issue to fund its expansion.

It also warned that margins had suffered in its first quarter to June because of lower sales, but forecast a dividend for the full year to March 1987 of at least the previous year's 7.2p.

The companies being bought are Lancashire Tube Stockholders, together with its holding company, BYC Engineers, and Pipe and Tube Supplies. Both are unquoted and are linked by cross-shareholdings.

Lancashire Tube is a distributor of thick-walled mechanical tube and Pipe and Tube is a distributor of cold drawn seamless tube. Combined pre-tax profits for the year to July 1985 were £764,000 but this was after directors' remuneration of £373,000, which Brown & Tawse says will be much lower in future.

The acquisition will be paid for with a mixture of cash and loan notes and the issue of 402,000 Brown & Tawse shares at 170p.

The rights issue, of 7.2m shares at 138p will raise £9.5m net. Part of the proceeds will fund the latest acquisitions and the rest will be used to fund future ones.

Brown & Tawse said yesterday that distribution of higher value industrial products gave a better return on capital than general steels, and growth through acquisition into this field was an important part of the group's strategy.

Mr Douglas Rae, chairman, said that the lack of buoyancy in the economy, which had affected the existing businesses' sales in the final quarter of its last financial year, had continued into this year's first quarter, resulting in a small decline in sales.

However, other recent acquisitions had performed particularly well and trading conditions for the group as a whole were gradually improving. July had shown a considerable improvement and this was expected to continue into the second half.

Dalepak meets target as profits pass £1m

Dalepak Foods, Britain's biggest supplier of frozen grillsteaks, has met its forecast of profits for the year ended April 30 1986.

Mr Jonathan Ropner, chairman, said yesterday that "we have the land, buildings and expertise to expand our existing business considerably."

He added that the flotation of the company's shares in May had given it a secure financial base.

For the year 1985-86 sales came to £14.91m and pre-tax profits to £1.03m, against some £14.8m and £990,000 respectively estimated in the prospectus. The figures for the previous year were £11.84m and £834,000.

Attributable profit worked through at £641,000 (£498,000) for earnings of 7.58p (5.96p) per share.

The chairman said the extension of the main factory at Leeming and completion of the new frozen ready-meals factory, which are coming on stream, made the current year's prospects exciting, although benefits would not be seen until the second half.

● comment

Dalepak's shares have performed well since the company came to the market in May with yesterday's closing price of 134p, well up on the offer price of 107p. The company remains based around its 29 per cent share of the grill steak market, which expanded by 23 per cent last year. It is now seeking to expand hy moving into the ready meal business and is launching a range of "gourmet" foods designed to appeal to the young professional with a tight schedule and a microwave oven. The costs of the new factory have already been taken on board but it will be some time before it reaches full capacity and an advertising campaign to launch the new products will have to wait until next year. Nevertheless, interest from the major supermarket chains has encouraged the company to expect 10-12 per cent of its turnover from the ready meal range this year. Capital expenditure should drop from last year's £2.2m to £800 000 this year but the financing costs will dilute the prospects of the flotation leaving the interest charge unaltered. Profits of around £1.7m look achievable which would leave the shares on a prospective p/e of 13.5. That looks a fair rating, considering the company's prospects for growing both internally and by acquisition.

BOARD MEETINGS

TODAY

Interims: Akzo, GKN, Investment Trust of Guernsey, Kleinwort Benson Lonsdale, Relyon, Rotork, Securicor Security Services, Smith and Nephew, Stockley, Yorkshire Chemicals.

Finals: Sidney C. Banks, London and Gartmore Investment Trust, Oceonics, Property Security Investment Trust.

FUTURE DATES

Interims—	
Appleyard	Aug 14
Ayrshire Metal Products	Aug 22
BPP	Aug 7
Metal Closures	Sept 3
Queens Moat Houses	Aug 21
Unidare	Aug 12
Finals—	
Restmor	Aug 12
Smith (W. H.)	Aug 20
Tip Top Drugstores	Aug 8

Bad weather hits Ernest Jones profit

Ernest Jones (Jewellers) has reported pre-tax profits of £1.69m for the 18 months ended March 29 1986, compared with £702,000 for the year ended September 29 1984. In the six months to March 1985 profits of £1.12m were achieved.

A final dividend of 1.4p (2.5p) is recommended, which, together with the two interim payments, brings the total for the period to 5.3p (3.9p). Earnings per 10p share are shown at 9.4p. Earnings for the 12-month period to March 29 1986 were estimated at 3.2p, with pre-tax profits for that period at £574,000.

Turnover amounted to £23.54m (£12.85m). Mr E. Weinstein, the chairman, said that, in common with many in the retail sector, the adverse weather in the first three months of 1986 led to a disappointing level of turnover, with a consequent effect on profitability.

Trading during the current financial year was showing an improvement, the chairman said. The directors were confident that the benefits of the investments being made for future growth would be realised in the all-important forthcoming Christmas trading period.

The directors continued to review every aspect of the company's activities to reduce the cost base of bead office and branch operations, Mr Weinstein said.

By September 1986 the chairman estimated that 56 of the group's 59 branches would be trading with its new corporate image, geared to increase sales in the middle to upper sector

Cannon St growth speeds up with £0.7m at midway

Cannon Street Investments, tha fast-growing USM holding company, yesterday reported interim pre-tax profits of £675,000—£520,000 ahead of last time—and a large increase in earnings per share, from 1.12p to 4.23p.

The growth in the first half of 1986 came organically, and from the three acquisitions made during the period. Cannon Street fell victim to the secondary banking crisis of 1974, but has re-emerged as an investment holding company with interests in foodstuffs, DIY and horticultural products and laboratory equipment.

Mr Bill Hislop, the chairman, said that all companies are trading well up to expectations, and that, as the bulk of profits are earned later in the year, the full period will show a significant increase over 1985, when the company made £939,000.

In the six months, the foodstuffs division was expanded by the acquisition of Lorenzo's Foods and Pythians.

The second level of the group's strategy, the diversification into major new core areas, was implemented by the purchase of Avondale Homes, a construction specialist, which is the basis of the company's fourth operating division. Avondale made no contribution to the interim results.

Group turnover rose from £5.32m to £9.06m, and interest charges were lower at £65,000 against £210,000. Net profits cama to £648,000 (£148,000) after a £27,000 (£7,000) tax charge.

An interim dividend of 1p was paid last month.

● comment

Cannon Street Investments is a company with a clearly defined, if idiosyncratic brief. Its policy is to acquire young, cash generating companies, to mould them into core divisions and to float them off three or four years hence when profits reach around £1.5m. Thus far the strategy has worked. Recent acquisitions contributed 30 per cent of the profits in these results, with established interests sporting organic growth of 60 per cent. Much of the organic growth is attributable to improved margins at Sankey and Tamson, although the recently acquired Avondale Homes should emerge as the main contributor next year. With the rights issue behind it and having reduced its gearing to 22 per cent in the first half Cannon Street is committed to further acquisitions, specifically in the engineering division. The City expects a surge in profits to £2.3m for the full year. Thus the multiple of 12 on yesterday's share price which rose by 6p to 136p, fails to reflect the company's short term potential let alone the pay-off in three years time when Cannon Street embarks upon the first of the flotations.

Financial services boost Cowie profits to £2.9m

A REDIRECTION towards financial services and consolidation in motor activities was mainly behind a rise in interim taxable profits from £1.63m to a record £2.85m at T. Cowie.

Contract hire, which showed fast growth, accounted for the majority of operating profits and other group activities benefited from a period of lower more stable interest rates, the directors said.

Coach operations were hit by the downturn in American tourists together with depressed used coach values, and contributed a lower result. Better performances for the construction and horticultural equipment outlets resulted in the agricultural division as a whole making a small contribution. Fire, safety and security operations maintained their contributions.

Cowie again confirmed yesterday that it intended to divest half of its finance activities. While a flotation remained the first option, the company said that it was in the interest of shareholders to schedule any disposal to take advantage of the continuing substantial profits growth in this sector.

In addition, the company said that it was viewing a number of potential acquisitions which were intended to improve growth prospects.

Strauss Turnbull will be appointed as the company's stockbrokers following the departure of Hoare Govett.

Group turnover for the first six months of 1986 totalled £104.4m, against £112.36m, and taxable profits were struck after interest charges of £6.13m compared with £4.55m.

Earnings per share improved from 6.15p to 13.65p and Cowie declared a higher interim dividend of 1.75p (1.25p).

● comment

Since the beginning of last year Cowie's shares have risen five-fold, outperforming the market by 250 per cent. And yet at 206p the price capitalises the company at just a few million pounds above the potential valuation of its finance arm, due to be floated on the market next spring. The original plan had been to have half the business in public ownership and on the market by now but it is reforming so well that the original price tag of about £25m could be pushed to £35m in seven or eight months time. By then the finance operation should have an auditors' seal on full year profits of over £5m suggesting a p/e (historic by then) of 11 after a 25 per cent tax charge. And this business contributed just 57 per cent of half time profits; the motor division, which makes up virtually all the balance in profit terms, is in the current price for almost nothing. Of course Cowie is enjoying an exceptional period when everything seems to be going its way, at least in the core businesses, but assuming profits get close to £7m this year a prospective p/e of 7 remains modest enough for the shares to further outperform.

Kennedy Brookes boosts profit 28% midway

PROGRESS HAS continued for Kennedy Brookes, restaurateur, botelier and property developer, despite higher interest costs to finance development. In the half year ended April 27 1986 the group lifted sales by 34 per cent to £22.6m and pre-tax profits by 28 per cent to £2.15m against £1.68m.

The interim dividend is raised from a scrip adjusted 0.48p to 0.75p net. Earnings per 10p share were up to 10.28p (8.75p) basic and 9.21p fully diluted following the issue of convertible unsecured loan stock in May 1985.

Mr Michael Golder, the chairman, said higher interest costs stemmed from the accelerated upgrading and expansion of Wheeler's Restaurants and the acquisition of the Bear group of hotels and Dickens Inn. Those investments made little trading contribution but were expected to contribute usefully in the second half.

Trading conditions in the restaurants were difficult in the cold months of the year but overall they did well, particularly Mario & Franco and the CBR divisions (cafes, bars and restaurants) where previous heavy investment was already paying off.

Tha chairman said action at the Trocadero resulted in a much reduced loss for that 51 per cent-owned subsidiary.

Trading profit for the wholly-owned companies in the half year came to £2.66m (£2.57m). Non-wholly-owned companies reduced their losses to £971,000 (£1.66m) before minorities of £447,000 (£787,000).

In the second half he expected the initial benefits from moving the group's administrative offices into one central office. Consolidating the four separate offices would lead to improved communications and cost reductions.

Regarding development of the London Pavilion, jointly with Grosvenor Square Properties, the chairman said contracts for the building works had been placed, work bad begun and costs were currently in line with expectations.

● comment

Kennedy Brookes is gaining as disposable incomes in the South East of the country rise: with a former Eurobond fund manager at the helm, the company is well placed to appreciate that lower interest rates do more for a middle-market business than tourism. However, among the majority but not wholly owned subsidiaries, the Trocadero remains a problem and more determined action may soon need to be taken to resolve matters. The Wheeler restaurant chain is still expanding as the buy fish campaign grows in a less meat oriented sector of the population. While the £300,000 additional interest payments arising from last year's £10m convertible loan stock issue have caused Kennedy Brookes to carp a bit, this year should still see £5m pre-tax. The shares, up 6p at 236p, look interesting on the prospective multiple of 12 on fully diluted aarnings per share of 19.8p given that the best part of the year is still to come.

Independent Newspapers ahead

Independent Newspapers said it had made worthwhile progress during the first six months of 1986 despite difficult trading conditions

From a turnover I£1.72m ahead at I£38.6m the Dublin-based group raised its profits for the period from I£2.24m to I£2.75m pre-tax.

Below the line there were extraordinary credits of £5.51m, less capital gains tax of £1.84m, arising from the disposal of Independent's radio interests in California.

Earnings totalled 9.3p (7.1p) and the interim dividend is being raised from an adjusted 3.3p to 4p net.

The restructuring being implemented throughout its newspaper publishing interests in Ireland would largely determine the prospects for this area of the business.

APPOINTMENTS

Senior posts at P & O Group

Mr Howard Phelps is appointed a director of THE PENINSULAR AND ORIENTAL STEAM NAVIGATION CO, chairman of Earls Court & Olympia and chairman of Sutcliffe Catering Group on September 30. He will also join tha board of P&O Cruises. Mr Phelps is director of operations of British Airways. **Mr Tim Harris**, a director of P&O and chairman of Earls Court & Olympia Group and Sutcliffe Catering Group, whila remaining on those boards, is appointed chairman of P&O Cruises. This appointment follows the resignation of **Mr Christopher Stewart-Smith** who is leaving P&O on September 30 to pursue his own interests. **Mr Les Overs** is eppointed deputy chairman of Earls Court & Olympia Group and **Mr David Fasken** is eppointed managing director. **Mr Stirling Gallacher**, managing director of Sutcliffe Catering Group, is also appointed deputy chairman of that company.

★

Mr Peter B. Woodman, a main board member of Tarmac, has joined the board of the MIDLAND NEWS ASSOCIATION, publisher of the Express and Star, as a non-executive director. Ha is chief executive of Tarmac's building and industrial products division.

★

At the ASSOCIATION OF BRITISH INSURERS **Mr R. C. W. Bardell** will retire on April 30 and will be succeeded as chief executive hy **Mr M. A. Jones** (at present manager, legislation). **Mr K. E. Loney** will become deputy chief executive adding managerial responsibiliteis for legislation and investment activities to his current duties as manager, taxation and accountancy. **Mr P. J. Hall** (manager, central services) has retired; **Mr J. W. Mulville** (secretary, investment committee) retires on September 30; **Mr K. A. Mansfield** (secretary general, GIC) and **Mr T. H. M. Oppe** (secretary general, LIC) on October 31.

As these retirements occur the following will assume the responsibilities indicated: **Mr A. M. Baker** (manager, general insurance and international, and secretary, general insurance council); **Mr B. G. Labram** (secretary, investment committee); **Mr D. R. Leighton** (manager, central services); **Mr B. J. Sharp** (manager, life insurance, and secretary, life insurance council).

★

CRANFIELD SCHOOL OF MANAGEMENT bas appointed **Mr Leo G. Murray** as director. He joins from Rothmans International Tobacco, wbere be was regional director for the Middle East.

★

RS COMPONENTS has appointed **Mr John Kelly** as director of procurement. He was with J. I. Case Tractors (Europe).

★

Mr John B. J. Lidstone has been appointed a non-executiva director of KALAMAZOO. He is deputy managing director of Marketing Improvements.

★

Mr John W. Perry has been appointed managing director, BURROUGHS MACHINES. Prior to his return to the UK, he was vice president and general manager of the midwest region of Burroughs in the US.

★

Mrs Veronica M. Lindsay and **Mr William G. Fergusson** have been appointed associate directors of WALTER JUDD. Mrs Lindsay has been with the company for over 20 years, and Mr Fergusson for five.

★

HERON CORPORATION has appointed **Mr Alan Fell** to the newly-created post of director of human resources. He was with the Rhoua Poulenc Group.

★

Mr John Woodthorpe has been appointed to the policy committee of PRICE WATERHOUSE as an external member, for a three-year period. He was previously with McKinsey & Co Inc.

★

Mr Peter Leslie, chief general manager of Barclays Bank, has been elected chairman of the chief executive officers committee of the COMMITTEE OF LONDON AND SCOTTISH BANKERS. He suceceds **Mr Philip Wilkinson**, group chief executive of National Westminster Bank.

★

Prince Michael of Kent has joined the board of JOHN LAING as a non-executiva director.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Cogema of France

A hostile environment

In an occasional series, David Marsh talks to the head of the high activity division of the La Hague station

A Working Day

Willy Fournier

nuclear reprocessing manager

WILLY FOURNIER'S "juice" is a great deal more dangerous to health than the one with which his father, a doctor who owned a vineyard in south-west France, was most familiar.

Fournier, a breezy 40-year-old engineer from Arcachon near Bordeaux, is in charge of one of the most sensitive sections at France's largest and most controversial industrial plants — the sprawling nuclear reprocessing complex at La Hague at the tip of the Contentin peninsula on the Normandy coast.

His job, as head of the "high activity" part of the plant, is to supervise the process of mechanical and chemical engineering under which spent fuel from nuclear power stations is separated into unburnt uranium along with reusable plutonium and fission product waste.

And the "juice" which Fournier talks about refers to the streams of radioactive fluid, containing mixtures of solvent and fission products at various stages of the separation process, dispatched along miles of pipework at the La Hague factory on the way to its final destination for treatment, storage and disposal.

Before joining Cogema, the nuclear fuel company owned by the French Atomic Energy Commission (CEA) five years ago, Fournier worked for 11 years for *Corning* Glass of the US.

Cogema runs the 750-acre La Hague site along commercial lines and is putting into effect a FFr 50bn extension programme to quadruple reprocessing capacity there by the early 1990s for Electricité de France and a batch of more than 30 foreign utilities from Europe and Japan.

In contrast to Britain, the US and West Germany, the nuclear business in general and reprocessing in particular in France is broadly accepted by the public.

The previous Socialist Government ordered a mainly symbolic and temporary halt to work on the La Hague extension in 1981. But La Hague has faced nothing like the violent protests provoked by the proposed building of a reprocessing factory at Wackersdorf in southern Germany, nor the controversy sparked off by radioactive leaks at Sellafield in the UK.

The economics of reprocessing are currently unfavourable, with plutonium prices so low that the business is effectively loss-making.

Yet, the French faith in the validity of reprocessing has remained undiminished, even after the Chernobyl accident in the Soviet Union.

This consensus is mirrored in the almost jaunty self-confidence of men like Fournier. Unusually, he entered Cogema after spells in both marketing and production at Corning—with two years of his time with the company spent in the US.

He has all the infectious zeal typically to be found in the French nuclear sector, where engineers can channel all their energies into the technicalities of their work without being side-tracked by the politics.

Fournier has responsibility for a particularly important point in the nuclear cycle—the "bottleneck" of the La Hague plant as he light-heartedly calls it.

Fournier is at the head of a section employing 125 out of the 2,500 permanent staff at the reprocessing plant. Total workforce at La Hague is 10,000, including outside employees and 6,000 construction workers toiling on the plant's extension.

His task is to supervise the smooth running of a stream of operations under which 5 metre-long steel-clad uranium fuel rods are chopped up into 3 centimetre long pellets, dissolved in nitric acid and are then separated through solvent extraction.

"My task," says Fournier simply, "is to send on (along the pipework) the plutonium without the fission products, and the fission products without the plutonium."

Plutonium can be stored, with appropriate safety precautions, at La Hague. The plant has regular running stocks of 1 or 2 tonnes, with capacity being built to store up to 20 tonnes, but the element is sent back eventually to Cogema's clients.

Fournier says the tried and tested nature of the Purex extraction process used (which was pioneered in the US) makes it well understood by engineers —but points out that "technological problems" can always be expected to happen.

He also points out that, unlike in a nuclear reactor where a chain reaction is taking place, engineers at La Hague normally have ample time to iron out snags.

An example of the hostile environment in which he and his men work is that the myriad corridors and buildings linking up the different parts of the La Hague plant are divided up into coloured sections according to the level of radiation risk.

The blue zone can be routinely visited by outsiders with the green and yellow areas requiring the cladding of light protective oversuits. Entry to the red zone is prohibited.

A whirring ventilation system —which in the new La Hague extension will consume around 60 per cent of the electricity supply—ensures that air is kept circulating from the low hazard areas to the higher radiation zones.

Fournier describes his job as a continual struggle to improve safety. "We are fighting radioactivity," he says. Cogema is increasing still further the cladding and *shielding*—through concrete, lead and glass—at different stages of the process to ensure that the quadrupling of the plant's overall capacity by the 1990s does not lead to any increase in average radioactivity doses received by workers.

The maximum dose of radiation *which any worker is permitted* to receive over one year is set at a statutory 5 rems. The average dose per year received by Cogema personnel at the plant over the past decade has been 0.5 rems a year.

Fournier emphasises that "quality control" for a nuclear plant lies in reducing as far as possible radioactive discharges.

Willy Fournier: "We are fighting radioactivity"

The aim, in general, has been fulfilled with greater efficiency at La Hague than at the older reprocessing plant of British Nuclear Fuels at Sellafield in the UK.

Radioactivity doses received by individual workers are carefully logged and added to their career records. Fournier's deputy, Christian Lesauvage, who has worked at *La Hague since* 1964, with 17 years spent "in the front line" of the high-activity section, has clocked up an overall 6.8 rems in total body exposure, with 11 rems registered on the skin. "I think I am healthy," he remarks with good humour.

Fournier *says* about 20 per cent of his job centres on safeguarding radiation protection in his section, in close co-ordination with the Government's nuclear security service. Roughly 40 per cent of his time is spent on current operations, and another 40 per cent working *on future projects*.

He says conception of design changes and extensions to the "high activity" section of La Hague represents the most satisfying part of his work. Both to improve radio-protection and to increase efficiency. This adds an element of planning to day-to-day operating tasks.

In an industry which typically operates according to very long lead times, Fournier has a plan of how the plant will look in the 1990s firmly lodged in his mind.

He is already discussing with planning staff, for instance, the necessary engineering modifications for reprocessing "mixed oxide" fuels. These mixtures of uranium oxide and plutonium, which will be progressively recycled in light water reactors, will not pass through the plant until about 1989-90, but techniques for dealing with the changes need to be worked out well before.

Fournier's relationship with his support staff is rather like that of a football manager with his players. He insists on the need for quick wits and agility among the six-strong squads of specialists—average age about 30—called in to intervene in the case of technical problems.

"Mechanical intervention in a nuclear environment is an artistic metier," he says. "They are artists in remote handling."

The technicians in question have to be able to use long *remote-controlled* mechanical arms to manipulate deftly spare parts and tools to repair faults or corrosion in pipework and other parts of the installation.

Large sums of money are available to make sure that technical solutions are properly executed, Fournier says. For instance, he cites FFr 1m (£98,600) spent in unblocking a pipe with compressed water jets. "Here, people don't consider whether it's best to keep the money in the bank—when you're dealing with radiation, you can't be petty," he says.

Considerable time is spent plotting how best to lower potential hazards, with one operation to reduce radioactive contamination in a centrifuge taking a year to prepare and three months to execute.

And when such tasks have been concluded, Fournier says he and his staff, who lunch together regularly, are in the habit of raising their glasses to the event. "We celebrate the occasion—a successful intervention brings out the best in everyone," he says.

Corporate planning

Cash cows can be lethal

Christopher Lorenz examines the risks of simplistic strategies

LIKE MOST of America's top companies, General Foods went in a big way for portfolio planning in the 1970s. But, in common with many fellow members of the "Fortune 500" it nearly did itself an injury. So did many smaller companies which took too literally the portfolio techniques made fashionable by the Boston Consulting Group, McKinsey, and others.

Take coffee. James L. Ferguson, chief executive of the sprawling foods group, recalls that its coffee business—familiar to the public under several brand names, including Maxwell House—was classified by portfolio theory as a "cash cow": a mature business that should be managed for cash, not for innovation and growth.

In fact, as Ferguson admits, coffee was a very volatile and dynamic business—or could be made so. The advent of automatic coffee-makers provided the opportunity to develop new varieties of ground coffee. "We didn't miss these opportunities, but . . . we were a little late and not as aggressive in pursuing them because of the cash cow concept. In retrospect, the concept of cash cow and mature business got in the way of both growth and innovation."

"Concepts such as the portfolio grid and the product life cycle are very good in theory," says Ferguson, "but we found that they can get you into a lot of trouble if you really believe that what is theorised will actually happen. What I found was that it was more important for me to challenge our managers to make sure that the theory did not come to pass."

Ferguson's jaundiced view of portfolio planning is reported in the latest issue of the Harvard Business Review, in an article by Professor Richard Hamermesch on Making Planning Strategic.* General Foods' bitter experience with coffee was one of many such cases Hamermesch uncovered in a detailed study he recently made into the planning practices of more than 20 US companies.

The Harvard findings make especially salutary reading for European companies, many of which have introduced portfolio planning only in the past few years, and still seem to view it as a wonder weapon.

Such hopeless optimists should learn from the experience of one of the study's other prime examples, US General Electric. GE was a pioneer of portfolio planning in the 1960s, but has now recognised the limitations and dangers of the technique. Its recent investment spend of almost $1bn in its mature locomotive, lighting, and major appliance subsidiaries is an openly-admitted catching-up exercise after they were starved of funds in the 1970s.

As a GE vice-chairman admitted to Hamermesch, "we just assumed that if a business was in a slowly growing market it was not a very good business. Now we understand much better just how profitable a business can be even though its industry is growing by only two per cent. We have re-defined the cash cow concept and are now investing a lot of money in strategic business units (that) we used to call cash cows."

Portfolio

Virtually every chief executive interviewed by Hamermesch mentioned the same belated discovery that though portfolio planning is extremely helpful in deciding what businesses to sell, it is less useful in guiding their internal growth and business development. "After several years of using portfolio planning, their companies were having problems generating enough growth and new opportunities," he comments.

This was partly because portfolio planning often has the unintended effect of limiting the thinking of managers in large companies, suggests Hamermesch. This, in turn, is due in part to the way portfolio planning conditions management to analyse its company's existing business, rather than new areas of opportunity.

Its emphasis on market share is also to blame, says the Harvard professor, since it often leads managers to define their markets as narrowly as possible in order to maximise their market share calculations. "While this approach can benefit business units that should concentrate on market niches, its use throughout a company can lead to a constant narrowing of the company's business base."

Despite these and many other problems, most companies which adopted portfolio planning in the 1960s and 1970s appear still to be using it; Hamermesch reports that roughly three-quarters of the Fortune 500, and many smaller companies with multiple product lines or services, practise some form of the technique.

The article shows that these problems have been overcome in a mixture of ways — some terribly obvious, others less so. To start with, companies have become less obsessed with portfolio planning in itself, and have looked more closely than before at other strategic factors, such as market trends, industry conditions, technological changes, competition, and their own strengths and weaknesses.

In plotting corporate strategy, the "accomplished planners"—a term Hamermesch applies to companies, not to corporate staff planners, whom he distrusts — look beyond divestitures, takeovers, and the other narrow concerns of traditional portfolio planning.

Instead, they also take account of such key issues as the definition (and redefinition) of business units, and the establishment of mechanisms to encourage growth.

Offering several basic tips on how to make planning really strategic—and effective—Hamermesch advises:

● Do not confuse resource allocation with strategy. "Planning is not a substitute for top management leadership and vision."

● Pay close attention to strategies for each business—not just to strategy for the whole corporation, which is the focus of most portfolio planning.

● Don't expect an immediate and big pay-off from planning.

● Involve line managers in planning. Line managers, not staff, should make strategy.

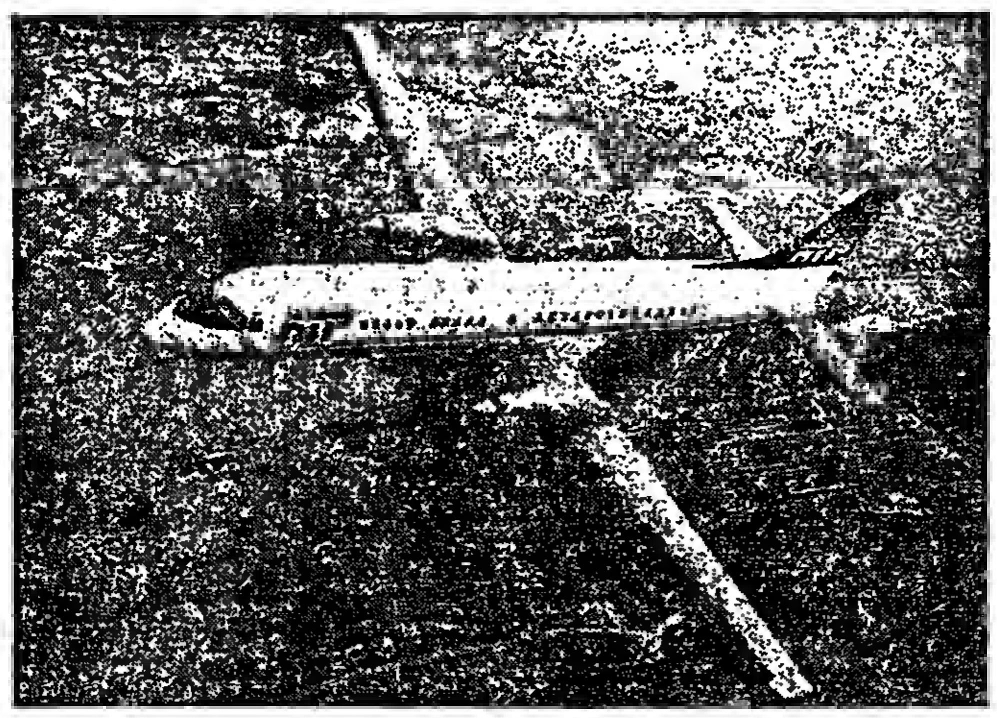
● Don't confuse strategic planning with strategic thinking. The discipline of the former helps develop the latter—a much more informal and ambitious process—but the two are not identical.

* *HBR July-August 1986, Reprint No. 86403, From HBR Overseas Reprint Service, PO Box 25, 3950 AA Maarn, Netherlands.*

TECHNOLOGY

Michael Donne, Aerospace Correspondent, on the latest entry into the competitive market for advanced turbo-prop aircraft

Propelling BAe quietly into the 21st century



Both Pratt & Whitney engines on the new ATP feature six-bladed propellers

BRITISH Aerospace marketing teams around the world will be focusing their attention today on the company's factory at Woodford, Lancashire, where if all goes well, precisely at 10 am the latest airliner from the BAe stable will take to the air for its maiden flight.

The 64-seat Advanced Turboprop (ATP) is a £100m-plus private-venture development by BAe. It is aimed at securing the company's position in the growing world market for short-to-medium range turbo-propellor airliners, in the 60-plus seater category, through to the end of this century and beyond.

Estimates of this market vary, but the most conservative set it at 1,000 aircraft, of which BAe hopes to win not less than 30 per cent with its ATP. At the time of inception of advanced turbo-props in the late 1970s, there was no competition in this area of air transport. But as the ATP has evolved, others have moved in, such as the Franco-Italian ATR-42 regional transport, of which a 72-seat version is now on offer.

BAe is not worried, however. It believes that its aircraft is still technologically the most advanced turbo-propeller airliner available, and that in its class (between the 44-52 seat Type 748 turbo-prop and the 82-109 seat four-engined Type 146 regional jet airliners), it still offers more for would-be customers than any rival.

A score of major sales campaigns are being waged worldwide for the ATP, while the launch customer, British Midland Airways, has already signed a contract for three aircraft with another two on option, in a deal worth £38m, including spares and support costs.

Full go-ahead for the new ATP was not actually given by the BAe board until early 1984, with the target for a first flight originally set for this October, and airline deliveries in 1987. So well has the programme moved, however, that the launch date has been brought forward.

The heart of the ATP will be its two Pratt & Whitney (Canada) PW-124A turbo-propeller engines, each of 2,500 shaft horsepower, giving a cruising speed of about 265 mph. Fuel consumption is claimed to be better than such rivals as the Franco-Italian ATR-42 and 72, the Canadian de Havilland DHC-7 and the new Fokker F-50, all turbo-props.

BAe selected the PW-124A because no equivalent Rolls-Royce engine was available. The company says the PW-124A meets the latest international requirements for minimum fuel use, low noise, reliability and ease of maintenance.

A feature of the engine is a new, six-bladed propeller, instead of the conventional four-bladed type used on other airliners. Developed and built jointly by BAe and Hamilton Standard (part of the US United Technologies Group), it was required because the ATP has a higher horsepower engine and greater seating capacity than other turbo-prop airliners in the regional/commuter class.

The 13 feet 9 inches diameter propeller consists of a glass fibre shell encasing a solid aluminium spar. This makes the blades up to 50 per cent lighter than traditional metal types, and reduces maintenance. The propeller's advanced aerofoil design gives a better lift-to-drag ratio than other propellers, enabling its blades to be narrower while producing equal thrust. This in turn leads to lower weight, improved fuel efficiency and quieter operation.

The ATP also makes extensive use of carbon fibre and other composite materials, including floor panels, engine nacelles, door fillets, nose cone, rudder tip, flaps, wing and tail leading edges, parts of the fin, and other components. All these have been designed to save weight, thus improving fuel consumption and operational profitability.

As a result of all these developments, it is claimed that the ATP will be one of the quietest aircraft available when it goes into service next year.

Its "noise footprint" at take-off—the area affected by its noise—will be no more than 1.4 square miles, compared with 3.5 square miles for a typical rival twin-engined turbo-prop airliner and some 8 square miles for a typical twin-engined jet airliner.

This, it is *claimed*, will put the ATP's noise well within the boundary of most modern airports, and substantially reduce the area affected by noise at smaller, local community airports.

Mr Charles Masefield, managing director of the BAe's Manchester group of factories, says that the hardest task in developing the ATP has been convincing the BAe main board. "We had to prove to them that not only was our market research accurate, and that our cost estimates were valid, but also that we could hold to our production plan through the life of the venture," he states.

The BAe board continues to watch closely the progress of the ATP. Mr Masefield says: "We have to adhere rigidly to our budgetary plans, for that is the only way we — or indeed, any manufacturer — can ever be successful.

"The types of operators at which we are aiming are not cash-flush airlines, but operators to whom every dollar counts. So we have to keep our prices down and ensure that the aircraft's performance matches, and if possible improves upon, the guarantees that we are giving our customers. That way, we can win orders, make the BAe board happy, and keep the aircraft in production."

In order to achieve these tight cost-control objectives, BAe has radically streamlined its procedures. Wherever possible, the equipment and components for the ATP are bought in from outside suppliers, who are themselves where necessary expected to be risk-sharing partners in the venture, with a vested interest in its long-term success.

The aircraft has been designed throughout with a wide range of customer requirements in mind — low operating costs; low internal and external noise to make it a "good neighbour" airliner at the airports for the small communities it will serve; a flexible interior layout so that customers can suit their own preferences (rather than be obliged to take what the manufacturer offers); and good passenger facilities, such as more ample seat and leg-room, and more space for carry-on baggage — vitally important in small communities where passengers require speed of handling.

Another factor in the design has been the desire to ensure a high quality of in-flight service. Even on very short local-service flights airlines are now finding that increasing competition obliges them to pay more attention to higher standards of meals and other facilities. This in turn has required ample galley facilities and an improved working environment for crews.

The ATP was also built for simple, swift and cheap maintenance in the field, with ease of access to all systems. It features a low-wing configuration, giving the fuselage the kind of low ground clearance suited to local-service airports.

It was recognised at the start of the development programme that operators would require the most advanced flight deck — equivalent to that available in larger, more expensive twin-engined jet airliners—because of the easier work-load it would provide for pilots.

As a result, BAe has built into the ATP the latest Electronic Flight Information System (EFIS), giving colour TV displays of all vital systems information, as well as navigation and weather data. Built-in test equipment is also provided, to enable self-testing and rapid fault identification while grounded at remote airports.

For BAe and Mr Masefield himself, the acid test will come at Britain's forthcoming Farnborough air show, where the ATP will be demonstrated in flight.

As Mr Masefield says: You can tell a prospective customer everything he wants to know about the aeroplane. But what convinces him most of all is when he can see it, hear it, touch it and fly in it. Then he knows that you have really got an aeroplane — and you know that you are more likely to win him over."

Facing challenges to creative freedoms behind the scenes

IF NOEL COWARD was alive today, he might well modify his lyrical advice to Mrs Worthington not to put her daughter on the stage. Nowadays the film industry holds more snob appeal. Television production will do, but film-making somehow remains more glamorous or desirable.

The fascinating appeal of movie production is, however, based largely on the misguided belief that it is fun, rewarding, creatively stimulating and easy. Occasionally the first three conditions may be achieved, but never the last. And if anyone harbours any doubt about that, a new book published last week—as a guide to the independent producer—should put the record straight.

There is little available literature dealing with the business and financial administration of film production, so the appearance of The Independent Producer: Film and Television (Faber & Faber) is something of a landmark. Its content is fundamental information for all small producers who do not have an army of administrators to look after the details. And for Mrs Worthington, one glance would be enough to ensure that she no more put her daughter into film production than on to the stage.

For a start, the jungle of *rights clearances* needed is a nightmare. Music alone involves not only the composer and musicians but also the mechanical copyright vested in any recordings, territorial rights, format rights (film, TV, video, theatrical, non theatrical), even synchronisation rights and special rates for different uses!

The list of administrative headaches for the producer is indeed so intimidating that creativity and skill in actually making a film seems of minor relevance. Royalties, residuals, insurance, completion guarantees, police permission to film in the streets, regulations on filming from aircraft, obscenity and censorship laws, and of course at the end of the day selling and advertising the product.

Such challenges for the producer are not, however, new and most of them have been long accepted as part of the job. There are *nevertheless* other problems, particularly for the smaller producer, now looming on the technological horizon.

Electronics and computers are the cause, threatening to usurp creative control in some areas of production—reducing movie-making to a process more like computer aided design.

The technology which exemplifies this is interactive video, and in particular a more recent development by a British firm—VideoLogic, whose MIC system has recently captured the imagination of video boffins. MIC is essentially a plug-in circuit board, with optional peripherals and software. It slots into any IBM-compatible computer and allows it to control the functions of a video disc player in ways previously unavailable to users of interactive video.

FILM AND VIDEO

by John Chittock

Brushing aside the user friendly gobbledegook of the computer industry which makes MIC difficult to understand (it's a "transparent" system, and virtually an "MS/DOS device driver"), it really does have practical advantages. A producer, computer program designer or even an end user can sit at a micro keyboard and display on a TV monitor any visual material from a video disc (e.g. still or movie) plus data and graphics from the computer.

That in itself is not new, even though it will work with PAL, SECAM or NTSC television standards without conversion. What is new is the flexibility of control—allowing existing IBM-compatible computer software to run pictures (from a video disc) instead of just data and geometric graphics of obvious computer origin. In consequence, the sequence and presentation of images recorded by a camera is no longer under the ultimate control of the producer or director; that control may now pass to a computer operator or even the end user.

The range of control includes picture editing, fades, audio levels, sequence of pictures, plus a form of graphics superimposition far superior to simple videotex overlays. MIC is seen by VideoLogic as a major step in keeping creative options open long after a producer's work is finished. Since few producers understand computers anyway, it begins to look as if creativity on the screen could in future depend more on software designers than movie-makers.

The recent storm on both sides of the Atlantic over the computerised colouring of old black-and-white classics, such as Casablanca, could be only a squall. Already Citizen Kane has been put on to video discs to allow some selective and interactive study viewing. With MIC, we are moving to a point where Orson Welles' mastery of film syntax could be challenged by a computer programmer. Even the story line might be altered.

Electronic control of the graphic artist has already been consummated in London with the first commercial installation of Quantel's Graphic Paintbox. This new version of Quantel's well-known TV special effects equipment—which allows extraordinary control over video images—now extends the facility to the production of high resolution artwork (e.g. as hard copy for use by advertising agencies and designers). Mr Robert Maxwell's company, BPCC Video Graphics, is the first to install the new equipment—so that any existing piece of artwork can have substantial changes made to it (removal of blemishes, insertion of backgrounds, changes in visual features)—quickly and perfectly, all by electronics.

The young man demonstrating Graphic Paintbox at BPCC's recent press launch was a trained designer—but the electronic "air brush" he used to "paint" out the wheels of a helicopter was governed by a computer program, not his own infinite sense of texture, colour, tone and feel.

Perhaps the mutation of art and technology is inevitable and desirable. It worked in the industrial revolution, albeit not without casualties. This time, however, creativity as well as craft may be under seige. In future, power may be in the hands of only those who understand the technology rather than the art.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or –	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
160	F.P.	—	170	165	Acatos & Hutcheson 50p	170	......	bd 5.25	2.9	4.3	11.3
‖ ‖	F.P.	15/8	127	108	‡Airsprung Group 10p	112	......	5.4	2.8	6.8	7.4
§115	F.P.	22/8	142	128	‡Anglia Sec Homes 10p	141	–1	R1.63	5.0	1.6	17.5
§115	F.P.	22/8	125	120	‡Atlas Conv'ting Equ 5p	123	......	R4.9	2.3	5.6	11.1
§67	F.P	8/8	71	68	‡BBB Design Grp 5p	69	–1	L1.0	4.2	2.0	16.6
‖ ‖	F.P.	—	289	280	BTR Nylex A$0.50	286	......	Q15c	2.7	2.2	17.1
§145	F.P.	15/8	158	145	‡Beaverco 5p	150	......	u5.0	2.4	4.7	11.9
‖ ‖	F.P.	—	53	41	Bertrams Inv. Tst	45	......	—	—	—	—
§37½	F.P.	25/7	44	38	‡Bipel 5p	44	+1	R1.23	3.1	3.9	11.0
125	F.P.	8/8	147	128	‡Borland Ind. Inc	141	–3	u02c	1.4	1.0	19.7
§63	F.P.	6/8	69	61½	‡Camotech 10p	65	......	R2.0	2.4	4.3	13.3
§110	F.P.	18/7	115	85	‡C'bell & Armstrong 5p	98	......	u3.91	1.9	5.6	12.5
§125	P.P.	7/8	135	128	‡Chelsea Man 5p	128	......	L2.2	2.8	2.4	21.1
100	F.P.	4/9	85	84	Child Med C.IT£1‡‡	85	......	—	—	—	—
‖ ‖	F.P.	18/7	110	85	Clarkson (Horace)	105	+5	L4.75	1.5	6.4	14.4
¶¶	F.P.	—	100	57	Claytorn Warrants	58	......	—	—	—	—
§84	F.P.	1/8	91	84	‡Coated Electrodes 5p	90	......	u3.9	1.6	6.1	14.0
§110	F.P.	—	114	111	‡Colne Int 5p	114	+3	R2.7	3.4	3.3	12.5
§70	F.P.	22/8	74	71	‡Fletcher Den'ys S. 5p	73	–1	L2.5	1.9	4.8	15.5
210	F.P.	—	203	191	G. T. Management 1p	203	......	R3.0	3.4	2.1	17.1
150	F.P.	25/7	164	150	Guthrie Corp	160	–4	u5.3	2.2	4.7	10.2
150	F.P.	15/8	161	156	Harrison Inds. 10p	157	+1	g5.0	2.7	4.5	11.8
§92	F.P.	29/8	95	87	‡Hille Ergonom 10p	93	......	L2.0	3.1	3.0	12.8
§20	F.P.	15/8	25½	21½	‡Hughes Food 5p	25⅛	+½	R0.5	2.8	2.8	18.4
—	F.P.	29/8	£37	£36	JF Pacific Warrant S.A.	36½	......	—	—	—	—
¶30	Nil	—	325	180	Joel (H.J.) Ltd Units	180	......	—	—	—	—
§154	F.P.	13/8	159	157	Kleinwort Dev. Fnd	159	+1	—	—	—	—
180	F.P.	15/8	90	85	‡M6 Cash & Carry	88	+1	u3.55	2.1	5.7	9.8
¶500	F.P.	29/8	516	427	Morgan Grenfell £1	438	+6	L8.5	—	2.7	—
§33	F.P.	—	34	33	‡Omnitech 1p	33½	–½	—	—	—	—
§120	F.P.	29/8	120	110	‡Per. Computers 5p	110	......	R3.0	3.3	3.8	11.2
§113	F.P.	29/8	114	112	St. David's Inv. Tst. Inc.	113	+1	H6.8	—	8.5	—
§75	F.P.	29/8	77	75	Do Cap.	76	......	—	—	—	—
§72	F.P.	15/8	160	99	‡Shield Group 5p	140	......	L2.0	3.1	2.0	20.4
§165	F.P.	1/8	184	160	‡Smallbone 10p	160	......	u5.0	2.1	4.4	14.9
§40	F.P.	31/7	42	35	‡Soundtracs 5p	37	......	b1.2	2.8	4.6	11.0
§98	F.P.	6/8	106	98	‡Space Planning 10p	98	–2	R1.8	3.4	2.6	16.0
§110	F.P.	28/8	125	119	Stanley Leisure	122	......	u3.25	2.8	3.8	13.5
130	F.P.	21/8	151	137	‡TV-am 10p	151	......	R5.75	2.6	5.4	10.1
§95	F.P.	25/7	114	104	‡Task Force 5p	107	......	R1.78	3.8	2.3	15.8
112	F.P.	8/8	134	116	Tenby 50p	134	+1	u4.0	2.6	4.2	10.4
190	F.P.	1/8	242	219	Thames TV	225	+1	u9.5	1.9	5.9	12.6
120	F.P.	6/8	130	100	Tibbet & Britten 5p	128	–1	R3.5	2.6	3.9	14.3
§63	F.P.	22/8	68	66	Unilock 20p	67	......	1.98	2.7	4.2	12.7
‖ ‖	F.P.	—	160	152	VSEL Consortium £1	155	......	W5.68	4.3	5.2	4.9
††	F.P.	—	100	95	Welsh Ind. Inv. Tst. 5p	100	......	—	—	—	—
106	F.P.	22/8	112	107	Windsmoor 5p	107	......	u3.25	2.3	4.3	14.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or –
**	F.P.	—	156	152½	Authority Invs. 8% Cnv. Uns. Ln. 2006-11	152½	–2½
§97.947	£25	17/9	27¼	25⅛	Bankers Inv. Tst. 10½% Deb. 2016	26⅝	+⅛
§100p	F.P.	15/8	107p	105p	Business Mortages Tst. 8.6% Cum Prf.	106p	......
109.89	£40	29/8	40	36½	Estates & Gen. 11¼% 1st Deb. 2018	37¼	+¼
‖	F.P.	29/8	115p	102p	‡Fergebrook 12% Cnv Uns Ln 1992-97	105p	......
97.963	£25	24/10	25⅝	19	Gt. Portland 9½% 1st. Mort. Deb. 2016	20	+½
—	—	—	29	28½	JF Pacific Warrant S. A. Pref.	28½	......
105.523	£25	21/8	26	18	Land Securities 10% 1st. Mort. Deb.25	18⅞	+½
§99.795	£25	24/9	24⅝	20½	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	21	+½
¶¶	F.P.	—	101	95	Mercury Intl. 7⅝% Cum Pref.	96	......
—	F.P.	—	100⅜	99⅝	Nationwide 10⅛% 27/7/87	100¼	+⅛
§99.937	£25	24/10	25¼	23⅞	Do 3⅞% IL Ln. 2021	24¼	+¼
¶100	F.P.	2/9	99	92	Newcastle & Gate. Wtr. 7% Red. Prf. 94/6	97	......
¶¶	F.P.	—	107	104	Rea Bros. 8.6% Cnv Prf	107	......
‖	F.P.	—	4ppm	2ppm	Scantronic 5.75% Cm. Com. Red. Prf.	2ppm	......
‖	Nil	—	5pm	2pm	Utd Leasing 9½% Cnv. Sub Uns Ln '98-2001	2pm	–2
‖ ‖	F.P.	—	101¼	101½	VSEL Cons.11% Uns. Ln. 1996	101½	......
—	F.P.	—	110	107	Wight C'ns Cv. Cm. Rd. Prf. 1999 10p	110	......

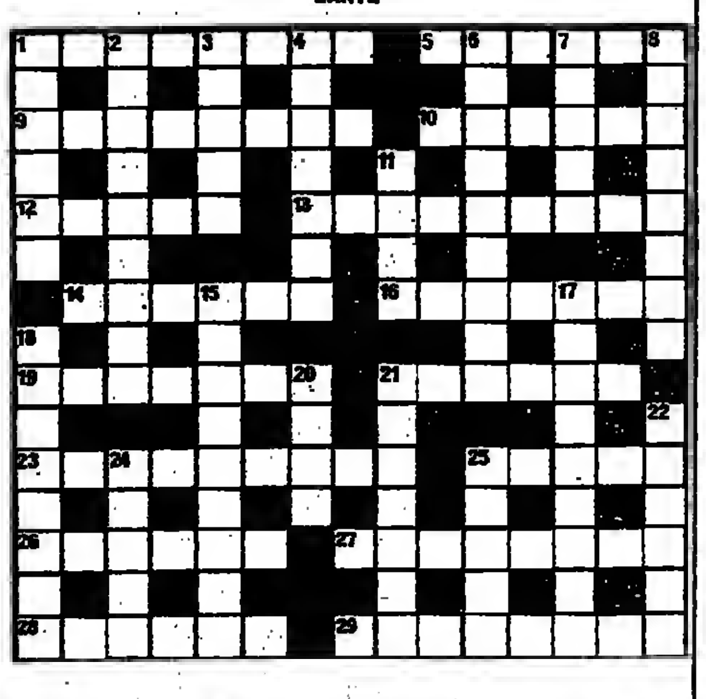
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or –
49	F.P.	29/8	85	66	Abaco Invs. 5p	72	+½
12	Nil	19/9	1¼pm	½pm	Barker & Dobson 1p	½pm	......
170	F.P.	2/9	193	186	Coloroll 10p.	193	+3
145	F.P.	20/8	185	160	Dataserv. Inc. 5c.	160	......
165	F.P.	28/8	185	168	Expamet Intl.	170	......
5	Nil	12/9	25½pm	12pm	‡Hobson 5p	25½pm	+2
330	Nil	26/9	81pm	73pm	London United 20p.	73pm	–2
200	F.P.	29/8	225pm	210pm	‡Meadow Farm Prod. 10p	215pm	......
120	Nil	19/9	23pm	17pm	Medminster 10p	23pm	......
£14	Nil	12/9	250pm	220pm	Priest Marians £1	250pm	+5
35	Nil	12/9	30pm	25pm	‡Rockwood 10p	25pm	......
44	F.P.	28/8	50	45½pm	‡Sheraton Secs. 10p	47pm	......
125	Nil	24/9	18pm	11pm	‡Tod 5p	18pm	+3
90	Nil	17/9	2¼pm	¼pm	Top Value Inds. 10p	¼pm	......
38	F.P.	28/8	40½	37	‡Yelverton Invs. 5p	37	......
41	Nil	29/8	35pm	22pm	‡York Mount	22pm	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures. t Indicated dividend; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖ ‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

F.T. CROSSWORD PUZZLE No. 6,092

DANTE



ACROSS

1 A bleared version probably isn't (8)
5 Grade scrap metal inside (6)
9 Sort of love one may hunger for? (8)
10 Question a learned cleric put in to annoy (6)
12 It conveys a sense of courage (5)
13 Snaps come out and go round (9)
14 A representative institution (6)
16 Pitch of the roof? (7)
19 Develops proposals (7)
21 Holiday nook? (6)
23 Rowdy sons quiet? Suspects something (9)
25 Time to take the air (5)
26 Flight-path? (6)
27 New range of French bombs (8)
28 Teresa is out for the holiday (6)
29 Press for a reduction? (8)

DOWN

1 Telephone about an account—for betting? (6)
2 Vegetable having a well inverted sugar (9)
3 Left in a unit entirely without support? (5)
4 Taking offence (7)
6 One maxicoat of obvious style (9)
7 The objective of a Forster's passage (5)
8 Thinking of America (8)
11 He doesn't go out with his mates (4)
15 Cash a cheque and I get a note in exchange (9)
17 What most people depend upon for information (4,5)
18 Nowadays, treat it as comparable with plenty (8)
20 Store between 180 and 270 degrees (4)
21 Save up a pound (7)
22 Mix us some pudding (6)
24 Nears new gains (5)
25 Singer put right after a wrong note (5)

Solution to Puzzle No. 6,091

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst.	63.0	67.6	-0.4	1.7
Far East & Gn Tst.	103.1	109.7	-2.5	0.9
Intl. Growth Tst.	68.9	73.3	-1.0	0.7
Income Tst.	82.6	88.9	+0.4	5.6
Japan Growth Tst.	124.2	133.6	-1.2	0.2
Small Cos. Tst	109.1	117.4	+0.2	2.0
Technology Tst.	32.9	35.2	-0.5	0.2
Australia Tst.	35.5	38.1	+0.4	2.1
UK Trust	127.5	134.7	-0.6	2.7
European Growth Tst.	53.1	56.5	-0.5	1.1
Hong Kong Tst.	23.2	24.7	-0.5	1.6

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	18.2	19.4	+1.1	0.15
Pacific Basin	13.3	14.0	+0.2	0.2
Canadian Balanced Grwth	56.3	60.2	-0.6	0.98
Ginnie Mae	101.4	105.7	+0.1	7.2

WestApoo Unit Trust Managers Ltd(e)(e)
9 Portland Square, Bristol BS2 8SS 0272 432431

British Small Co's	53.9	57.4	-0.1	1.50
British Growth	63.4	67.2	-0.7	2.00
British Income	64.2	66.0	-0.2	5.00
British Extra Yield	50.6	52.0	-0.1	7.00

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.5	68.6		0.00
U.S. Govmt Bond F.	50.507	0.510	+0.001	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	47.6	50.7	—	7.83
Growth Trust	39.9	53.1	-0.2	2.29
Income Trust	52.3	55.7	—	5.25

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	67.1	70.6	..	2.97

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

[illegible]

Cannon Assurance Ltd—Continued
2nd Series Pension Accumulation

Equity	475.2	502.9	-1.3	—
High Income	314.0	332.3	-1.8	—
Property	281.5	291.9		—
Managed	335.2	354.7	+0.4	—
Deposit	252.2	265.8		—
Gilt	252.5	267.2	-0.8	—
American	379.3	401.4	+3.4	—
International Money	280.0	297.1	+2.6	—
Index	121.4	128.5		—
Far East	197.3	209.0	+2.7	—
Global	95.2	100.7	+0.3	—
European	99.7	105.5	+0.2	—
Japan	114.5	121.2	+1.2	—
Other Funds				
Equity Units	64.57		-0.22	—
Property Units	21.35			—
Equity Bond/Exec.	40.40	42.75		—
Property Bond/Exec.	28.80	30.48		—
Balanced Bond/Exec.	33.13	35.06	+0.01	—
L&E SIF 1	108.5	115.0	..	—
L&E SIF 2	71.0	75.3	+0.5	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	94.0	100.0	-6.0	—
Risk & Reward Bond	116.0	123.0	..	—
Murray Johnstone Fd	116.0	123.0	..	—
Money Market Fd	100.0	106.0	..	—
Ivory & Sime Pens Fd	96.0	102.0	..	—
Risk & Reward Pens Fd	98.0	104.0	..	—
Murray Income Pens Fd	114.0	120.0	..	—
Money Market Pens Fd	100.0	106.0	..	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent. Milton Keynes MK9 2LA Tel: 0908 606101/660988

Current Series

Property Fund	111.2	117.1	..	—
Money Fund	220.3	231.9	..	—
Managed Fund	399.0	420.0	-0.6	—
Equity Fund	246.6	259.6	-1.7	—
Fixed Interest Fund	148.8	156.7	-0.1	—
Far East Fund	209.9	221.0	+2.2	—
North American Fund	169.5	178.5	+0.8	—
Natural Resources Fund	119.0	125.3	-0.4	—
Pension Managed Fund	369.4	388.9	-1.3	—
Pension Equity Fund	232.1	244.4	-1.2	—
Aggressive Mgd Fd	100.0	105.3	—	—

[illegible]

INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ... $18.23 | +0.02 | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $15.94 | −0.16 | —
Inv. Adv., M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Magt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ... $18.32 | −0.19 | —
Dynamic Grth Fd ... $19.96 | −0.03 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ... $11.86 12.55 | —

Money Market Trust Funds

	Gross	Net	Cr Equiv CAR	Int Cr
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.50			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.53	7.11	10.37	6-mth
7-day Fnd	9.5	7.13	10.39	6-mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	9.47	7.08	10.15	6-Mth
7-day Fund	9.55	7.14	10.24	6-Mth
Dollar	5.37	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc.	9.25	6.60	9.63	Qtr
Aitken Hume 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
Mth. Int Chq	9.25	6.91	10.09	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.57	11.04	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.20	6.95	10.11	Mth

Barclays Prime Account

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. y Offered prices include all expenses. b Today's prices. c Yield based on offer price d Estimated. g Today's opening price h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	30	IEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect	16
Babcock	37	RHM	20
Barclays	45	Rank Org Ord.	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons.	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	1T	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	1T	Land Secs	30
Glaxo	65	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min	$2\frac{1}{2}$
Hanson Tst	16	Brit Petroleum	40
Hawker Sidd	48	Burmah Oil	30
ICI	56	Charterhall	4
Jaguar	38	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	23	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk	44	Rio T Zinc	50
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

FRANTIC TRADING IN THE OIL MARKET

The day the wheels dropped off

BY LUCY KELLAWAY

"My brain and my body are battered. Last night I slept a total of one hour," Mr Richard Marose, oil analyst at Geldermann, the US futures broker, said yesterday.

He got no chance to rest during the day yesterday either. Oil prices, which started to soar in New York late on Monday, continued to climb yesterday morning, reaching at one stage $16.50 a barrel, an increase of about 50 per cent in two days.

In London the reaction to the Organisation of Petroleum Exporting Countries' surprise decision to cut production to about 16.7m barrels a day was no less wearing on traders' nerves.

"For an hour at the beginning of the day today I just couldn't get to grips with what was going on," said a London trader. "Sellers and buyers were $2 apart — everyone was stunned, and very, very confused. This has got to be the second time in the history of the oil market — the other time was in November — when the wheels just dropped off."

On Monday morning Brent for October delivery was being sold for $9.60. Twenty-four hours later two sellers clinched deals more than 50 per cent higher at about $15.25 a barrel.

During the day, however, the market failed to sustain the advance and prices fell back. By the close in London, Brent was trading at about $14 a barrel, while in New York during mid-afternoon West Texas Intermediate was being quoted at about $15.50.

The effect of the Opec deal on general sentiment in the market has been just as remarkable as the immediate effect on prices. Before the meeting, traders everywhere had been exchanging bearish views. The consequent slide in the oil price to below $10 a barrel, had erected $5 as the next important landmark to be passed in the market's decline.

The prospect of $5 oil could not have been further from anyone's minds yesterday. Instead some traders have already started to talk about prices rising toward $20 over the next few weeks, after allowing the correction started yesterday afternoon to run its course.

Others took a less optimistic approach. Mr Humphrey Harrison, oil analyst at Fielding, Newson-Smith said yesterday, "sanity will prevail eventually" and described yesterday's price movement as "ridiculous."

Although the agreement was a step in the right direction, he warned that such accords had proved fragile in the past: room to cheating by individual members and to eventual collapse prone to cheating by individual members.

Yesterday's huge price movements created some heavy losses, especially in New York, where in chaotic trading those had sold short before the meeting dashed to cover their positions. On the New York Mercantile Exchange about 60,000 crude contracts were traded on Monday, compared with about 40,000 on a normal active day. Volumes were lower yesterday as trading quickly ran into the maximum price movements allowable in a day.

However, in London the market was quieter. Since the beginning of the Opec meeting 10 days ago, many traders have absented themselves from the market altogether, and although business was brisker yesterday than most days last week, only a dozen cargoes had been traded by mid-afternoon, although later volume picked up, and a total of 30 deals was reported.

Observers said yesterday the market was moving according to gut feelings rather than anything more solid, and pointed out it would take several months before the real impact of the cuts is felt.

Mr Paul Spedding, oil analyst at Kleinwort Grieveson was worried that the psychological boost given to the market by the surprise accord might not last until the new quota comes into effect on September 1.

Yesterday's heady enthusiasm in the crude market spilled over into products markets. In Rotterdam gas oil cargoes traded for as much as $130 a tonne, compared to $92.50 on Monday. High sulphur heavy fuel touched $65 a tonne, against about $42 on Monday, while naphtha prices rose from about $98.5 to a high of $135.

Although trading was fairly heavy, the bulk of the activity was in "paper barrels" reflecting a rush of speculative interest without physical product changing hands.

In London, trading in the gas oil futures contract on the International Petroleum Exchange was the heaviest on record, with more than 13,000 lots traded, compared to the previous daily record of 10,264 lots. The gas oil September contract, which on Monday closed at $115 a tonne, surged to a high of $140 before closing at $130.

US grain debate widens

By Nancy Dunne in Washington

PRESIDENT REAGAN'S decision to offer Russia 3.85m tonnes of subsidised wheat, if the Soviet Union buys before October 1, in no way settled the growing debate over how far the US should go to hold on to its shrinking share of the world's grain markets.

Senator Robert Dole, the majority leader who has led the congressional battle for alternative measures to boost exports, initially welcomed the first US-Soviet subsidised grain deal in more than a decade. However, on Monday he wrote to Mr Richard Lyng, the Agriculture Secretary, pressing for an extension of the export subsidy programme to other crops and other nations.

He urged the Administration "to establish a clear and consistent policy on agriculture exports by extending its competitive-price programme across the board for maize, soyabeans and other farm commodities to all legal markets.

"If we are going to compete for world markets—and our domestic supply situation gives us no other choice—then we must join our allies in Europe, Canada and Australia in selling at the world price," he said.

To sell at the world price, American grain must be subsidised. The subsidies, under the Export Enhancement Programme are financed by the sale of surplus Government-owned commodities. According to Mr Daniel Amstutz, the US Agriculture Undersecretary, the US is offering wheat to Moscow for $91 to $92 a tonne, about $13 under the US price.

After meeting an Australian delegation, Senator Dole said that if it did not want to expand the EEP, it could institute a marketing loan programme for grains, which would pay farmers the difference between the US loan rate and the world price. It would be expensive, he said, but it might avoid trouble with longtime allies.

Over the weekend, Mr Malcolm Baldrige, the Commerce Secretary, acknowledged that the US may send more subsidised sales to "traditional customers."

● The Soviet Union has given "every indication" that it will "buy" the 4m tonnes of subsidised wheat offered last week by the Administration, Mr Amstutz told a Senate hearing on upcoming Gatt negotiations.

Comex member settles case

BY ALEXANDER NICOLL

THE saga of Volume Investors, a New York Commodity Exchange (Comex) member which collapsed last year as a result of gold options trading by some of its customers, has moved a step towards conclusion with a settlement by one of the firm's principals.

Mr Charles Federbush, former chief executive of Volume Investors, has settled a case brought against him by the Commodity Futures Trading Commission by agreeing to pay a $15,000 fine and to avoid being involved with any futures broking firm for two years.

He had already paid $1.3m to help Volume Investors customers fully recoup $13m of funds in their accounts which were temporarily frozen when the firm failed.

The CFTC still has charges outstanding against Mr Owen Morrissey, the other principal of the firm. In addition, the Comex is contesting CFTC charges that it permitted position limits to be exceeded and that it did not close down Volume Investors quickly enough when its troubles became apparent.

The collapse of Volume Investors prompted the CFTC to propose tougher capital requirements for futures brokers which have been fiercely resisted by the industry. The dispute is likely to be solved by a face-saving compromise which is unlikely to put many brokers out of business, as was at first feared.

The affair also raised questions about position limits and about margining systems for options trading. The Comex has tightened margin requirements and is working on the introduction of a new system.

Volume Investors was placed into receivership in March 1985 when three customers, and therefore the firm itself, were unable to meet margin requirements which rose sharply when there was a sudden surge in the gold price after a long period in which it had been relatively stable.

Study forecasts 20% fall in gold price

BY STEFAN WAGSTYL

GOLD PRICES could fall by 20 per cent in real terms by 1990, while base metal prices rise by up to 25 per cent, according to a survey published by Metals and Minerals Research Services, a London research company.

The forecast for gold contrasts with a sentiment by some recent market reports which have predicted rising gold prices, at least in the short-term. But the study's forecasts for base metal prices are rather more optimistic than most analysts' views.

The MMRS survey points to the continuing increase in gold production which is forecast to rise from more than 1,250 tonnes this year to 1,400 tonnes by 1990. Gold consumption is expected to fall slightly because of a forecast decline in official coin issues which is unlikely to be offset by modest increases in jewellery sales. As a result, says MMRS, the surplus of gold which is left to be taken up by investors could rise from 195 tonnes this year to 390 tonnes in 1990.

The report is less cautious about the outlook for platinum which it says could fall by perhaps 10 per cent in real terms, largely because of the possibility that speculators who have invested heavily in the metal, in reaction to political unrest in South Africa, the dominant supplier, might leave the market.

Meanwhile, MMRS says base metal prices should rise by some 20 per cent to 25 per cent in real terms by the end of the decade. They would be recovering from a low base and would still be about 25 per cent below the 1980 peak, but the increase would be enough to make a significant difference to the profits of the hard-pressed mining industry.

Higher economic growth and recent falls in stocks resulting from disruptions in production and from cuts will pave the way to healthier base metal markets, for the remainder of this decade, say the authors.

The report sees this price recovery beginning in 1987, when prices could climb 12 per cent in real terms.

The largest price increases should come in tin—where producers have cut output sharply following last year's market crisis and price collapse—and in copper which should respond to the closure of more US smelters with the implementation of the Clean Air Act in 1988.

By 1990 the fortunes of base and precious metals will be well on the way to being reversed, says MMRS.

Metals Analysis Five Year Outlook, Metals and Minerals Research Services, 222-225, The Strand, London, WC2R 1BA.

Guyana seeks larger share of calcined bauxite market

BY CANUTE JAMES IN KINGSTON

CUYANA PLANS to strengthen its dominance of the world market for calcined bauxite by increasing by 40 per cent its output, which now averages 500,000 tounes per year.

Calcined bauxite is used primarily as a raw material for making refractories or vessels for processes demanding a high level of resistance to heat, chemicals, sudden changes of temperature, abrasion and corrosion by acids and alkalis, such as in furnaces, stills, kilns, boilers, incinerators and fireplaces.

Mr Bernard Crawford, executive chairman of the Bauxite Industry Development Company, said Guyana now had 60 per cent of the world market for calcined bauxite, with the rest being met mainly from China. He said the expansion in production is expected from a wide-ranging rehabilitation programme for the South American country's state-owned industry.

"Total national output of calcined bauxite can reach 700,000 tones per year with the rehabilitation of the bauxite industry,"

Mr Crawford reported that Cuyana's state-owned industry had been attempting to develop a high quality product for the refractory industry, and had arranged a series of visits by its more important clients from Guyana's main markets for calcined bauxite in the US, Japan, and Western Europe.

"There is increasing demand for a higher standard of product in the refractory industry. Our product provides the base for the production of high quality refractories, and we are in keeping with the demand for higher specifications."

The technological changes being implemented in the calcined bauxite sector are producing what officials describe as new materials which could significantly increase the earnings of the financially frustrated industry. This involves the beneficiation of tailings produced in the washing of bauxite to make products which may be used directly for chemical grades or, with further processing, produce a premium grade of calcined refractory bauxite.

The effort to expand output of calcined bauxite is part of a wider programme of rehabilitation of the bauxite industry of the English-speaking republic of 900,000 people.

Studies on rationalising the industry were done for the Government by Kaiser Technical Services of the US and US Steel. The Cuyana government then indicated it wanted a foreign partner—a slight change in official investment policy which has been based on total state control of the industry based on the nationalisation in the 1970s of operations owned by Reynolds Metals of the US and Alcan of Canada.

According to the Guyanese programme requires about $100m. Mr Crawford reported that the EEC had committed 35m European Currency Units ($32.4m) for the rehabilitation of the Guyana bauxite industry, and that the World Bank was also considering financial assistance, he said.

It is expected, he said, that the programme would lift output of other types of ores—chemical, metallurgical and abrasive grades—which Guyana produces. Total output of all four grades in 1985 was 1.6m tonnes, after 1.55m tonnes in 1984. "We expect that output this year will be about the same as last year," Mr Crawford said.

Guyana's output slid from 3.8m tonnes in 1975 to 1.09m tonnes in 1983, before recovering in 1984. However, last year's output, although a slight increase, represented failure to achieve the industry's target of 2.2m tonnes.

The marketing of Guyana's metallurgical bauxite has been assisted by the signing of several counter trade agreements. In one agreement with the Soviet Union, Mr Crawford said, Cuyana was shipping 50,000 tonnes a year, and under a recent oil-for-bauxite deal with neighbouring Venezuela, Cuyana was disposing of 250,000 tonnes a year.

The Cuyanese industry is close to reopening its 300,000 tonnes-a-year bauxite refinery which was mothballed three years ago. Built by Alcan of Canada, it was nationalised in the mid-1970s.

Mr Desmond Hoyte, Guyana's president, had said earlier that talks with prospective partners from East Germany and Brazil were close to a conclusion. He had said Guyana wanted a technological partner to rehabilitate the refinery. The reopening of the facility is expected to cost $20m.

"We are indeed hoping that we will be able to reopen the plant soon, and we are putting together a package which will involve a foreign financial partner," Mr Crawford said.

The objective of the plans for the Guyanese bauxite industry is profitability which it has not achieved in recent years. A deficit of $45m was recorded in 1983. A forecast of a profit of $30m in 1984 was frustrated by a loss described by Mr Crawford as being about $30m. A similar deficit was recorded last year, he revealed.

He asserts, however: "Studies done by the European Community and the World Bank have indicated that the industry is potentially profitable in a short period of time."

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,300-2,450.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots, in warehouse, 2.50-2.65.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.90-0.95, sticks, 0.91-0.96.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 3.70-4.10.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 165-175.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.95-3.05.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.90-5.10.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO, cif, 40-50.

VANADIUM: European free market, min. 98 per cent VO, other sources, $ per lb VO, cif, 2.50-2.55.

URANIUM: Nuexco exchange value, $ per lb U O, 17.00.

LONDON MARKETS

PRICES came under pressure on the London Metal Exchange yesterday, reflecting the surge in the value of sterling against the dollar. Cash grade A copper dropped £14.50 on the day in thin trading to close at the day's low of £871.50 a tonne. Aluminium experienced continued commission house selling, reflecting both sterling's strength and the increasingly bearish fundamental and technical outlook. Cash metal ended the day down £13 at £750.50 a tonne. On the London Commodity Exchange, robusta coffee futures dropped slightly to close at £1,717.50 a tonne in the November position, down £3.50. Cocoa futures dropped £20 to £1,441.50 per tonne in the December position, reflecting a similar drop in New York, currency-based liquidation and short-term bearish chart patterns. Dealers said a psychological barrier around £1,450 had been passed, and values were likely to ease further.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	750-1	—13	751.5/751
3 months	763.5-4	—11.5	761/758

Official closing (am): Cash 751-1.5 (760.5-1), three months 763-3.5 (772.5-3). settlement 751.5 (761.5). Final Kerb close: 763.5-4.

Turnover: 15,400 tonnes.

COPPER

COCOA

After opening £10 easier, on currency rather than cocoa considerations, futures traded in light volume and drifted further to close near the lows. Physicals were undistinguished with producers and consumers reluctant to trade and even second-hand interest was muted, reports Gill and Duffus.

COFFEE

NICKEL

TIN

ZINC

SOYABEAN MEAL

GOLD

GRAINS

SILVER

SUGAR

MEAT

INDICES

MAIN PRICE CHANGES

US MARKETS

COFFEE FUTURES came under further heavy selling pressure, reports Heinold. In the absence of important news the technical weakness of the previous week reappeared after the market had found temporary support on Monday at the psychologically important 160c level in the near September position. The failure of a modest initial rally failed to attract any significant follow-through, and floor sources said that this was the reason behind the wave of disappointed liquidations which eventually took the market to new lows at just under 150c per lb, leaving the market nearly 6c down on the day. On the oil markets confirmation of Opec's decision to adopt lower output ceilings led to another strong day of limit-up movements, with crude oil advancing over $3 at one point in the limitless September position but these gains were pared considerably towards the close.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Aug	52.15	—	—	52.25
Sept	52.30	52.50	52.15	52.40
Oct	52.40	—	—	52.30
Dec	52.75	52.70	52.60	52.85
Jan	52.85	—	—	52.95
March	53.15	—	—	53.25
May	53.45	—	—	53.55
Sept	53.90	—	—	54.00
Dec	54.00	—	—	54.10

CHICAGO

RUBBER

FREIGHT FUTURES

GAS OIL FUTURES

POTATOES

JUTE

Surveyor proposes gazumping penalty

GAZUMPING should be outlawed and "fines" imposed on anyone who withdraws a house from sale once an offer has been made and accepted, Drewetts, the surveyor, suggested yesterday.

The firm wants the Government to adopt the Channel Islands system whereby 10 per cent accepted.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Oil news boosts sterling

Sterling and the dollar benefited from the agreement by members of the Organisation of Petroleum Exporting Countries to temporarily cut oil production back to 1984 levels. The agreement begins in September, and yesterday morning the price of October delivery North Sea oil rose sharply to $15.25 a barrel, before falling back to $14.20 in the afternoon, compared with $11.20 late Monday. At noon sterling had climbed to DM 3.1225 from DM 3.0650 on Monday, before closing at DM 3.1025. At last night's close the pound had also advanced to FFr 10.0850 from FFr 9.9575; to SFr 2.5050 from SFr 2.4660; and to Y230.25 from Y226.50. Sterling's exchange rate index wiped out all Monday's sharp loss at the opening, rising to 71.7, before touching a peak of 72.1 at noon, and closing at 71.8, a gain of 1.1 on the day. The pound also improved against the dollar, rising 1½ cents to $1.4855-1.4865.

The dollar was helped by sterling's advance, and the decline of the D-Mark and yen. West Germany and Japan are large oil importers, but whether the market will review its overall view about the underlying weakness of the dollar against the D-Mark and yen was not clear. Expectations that higher oil prices will mean higher inflation and prevent interest rates from falling lent support to the dollar. It was also underpinned by speculation that the oil news will be good for the US banking system, with large outstanding loans to oil producers such as Mexico.

The dollar rose to DM 2.0880 from DM 2.0835; to FFr 6.7725 from FFr 6.77; to SFr 1.6865 from SFr 1.6765; and to Y154.90 from Y154.05. On Bank of England figures the dollar's index rose to 111.5 from 111.2.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.0835. July average 2.1531. Exchange rate index 138.3 against 132.6 six months ago.

The D-Mark weakened against the dollar in Frankfurt. The Bundesbank did not intervene at the fixing, when the dollar rose to DM 2.0983 from DM 2.0801. The US Currency climbed to a high of DM 2.1050 after Mr Gerhard Stoltenberg, West German Finance Minister, said there were dangers in a further dollar decline. But DM 2.1050 is a technical resistance level and the dollar retreated slightly, after gaining initial support from the recovery of sterling. A sharp rise in oil prices, as a result of the Opec agreement, pushed the pound up to DM 3.1210 at the fixing from DM 3.1070. At one time on Monday the pound was only slightly above DM 3.04. News of a lower than expected allocation of liquidity to the domestic money market at the Bundesbank's tender for securities repurchase agreements was not regarded as a tightening of monetary policy, and had no impact.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 153.75. July average 158.61. Exchange rate index 217.7 against 185.2 six months ago.

The yen remained little changed against the dollar in Tokyo yesterday, after further large intervention by the Bank of Japan. Dollar buying by the central bank was estimated to be around $700m, virtually the same as on Monday. The Bank of Japan may have also bought dollars in New York on Monday, and the constant presence of the central bank in the market discouraged dealers from taking new positions. The dollar closed at Y154.30, compared with Y154.00 on Monday, and Y154.25 in New York. Heavy selling by Middle East-based banks offset the intervention of the Bank of Japan and kept the dollar steady. The US currency benefited from the recovery of sterling, following the Opec accord, and a tendency to sell the currencies of the major oil importers, such as Japan.

£ IN NEW YORK

Aug 5	Latest	Prev. close
Spot	$1.4855-1.4875	$1.4695-1.4705
1 month	0.46-0.44 pm	0.48-0.47 pm
3 months	1.20-1.17 pm	1.28-1.25 pm
12 months	4.50-4.20 pm	4.67-4.60 pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

Aug 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4795-1.4805	1.4855-1.4865	0.45-0.43c pm	3.59	1.24-1.19 pm	3.27
Canada	2.0485-2.0635	2.0625-2.0635	0.30-0.21c pm	1.48	0.62-0.47 pm	1.06
Nethlnd	3.49-3.51½	3.49-3.50	1½-1¼c pm	4.29	3½-3¼ pm	4.22
Belgium	64.07-64.75	64.16-64.25	17-12c pm	2.71	43-34 pm	2.40
Denmark	11.62¾-11.74	11.66-11.67	1⅞-⅞ore pm	1.29	3⅛-2⅞ pm	1.05
Ireland	1.0911-1.1242	1.1155-1.1165	par-0.15p dis	−0.81	par-0.25 dis	−0.45
W. Ger.	3.08⅝-3.12¼	3.08¾-3.10½	1½-1¼pf pm	5.32	4⅝-3¾ pm	5.08
Portugal	216.45-218.74	216.45-218.00	68-159c dis	−6.21	180-460 dis	−6.95

CURRENCY MOVEMENTS

August 5	Bank of England index	Morgan Guaranty Change %
Sterling	71.8	−20.5
U.S. Dollar	111.6	+9.6
Canadian Dollar	78.0	−12.3
Austrian Schilling	139.9	+7.9
Belgian Franc	98.0	−7.0
Danish Kroner	97.8	+0.1
Deutsche Mark	138.3	+17.0

FINANCIAL FUTURES

Gilts below best

Long term gilt futures eased back from a very strong start on the London International Financial Futures Exchange yesterday. September delivery gilts opened at 120-20 after the Opec agreement to cut oil production had given sterling a boost. Hopes of encouraging UK money supply figures helped underpin the contract. There was slight disappointment at the unchanged to ½ per cent rise in sterling M3 in July, but more concern at the rise of £3bn in bank lending, which was about double the expected figure. The contract finished around the middle of the day's range at 120-15, compared with 119-26.

US Treasury bond futures opened higher, but weakened as dealers weighed the implications of the Opec agreement, and the effect higher oil prices would have on inflation and the prospects for interest rates. Trading was also nervous ahead of the first part of the US Treasury's quarterly refunding programme, totalling $28bn. Yesterday the Treasury offered $9.5bn in three-year notes, to be followed by $9.5bn in 10-year paper today, and $9bn in 30-year bonds tomorrow. Japanese demand, particularly for 30-year bonds, will be an important factor for the market. Demand is expected to be reasonable, but well below levels seen at the May refunding.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
118	4.34	6.33	—	—	0.04	1.13	—	—
118	2.49	4.12	—	—	0.18	1.56	—	—
120	1.24	3.04	—	—	0.58	2.48	—	—
122	0.34	2.11	—	—	2.04	3.55	—	—
124	0.10	1.30	—	—	3.44	0.10	—	—
126	0.02	0.82	—	—	5.36	0.42	—	—
128	0.00	0.39	—	—	7.34	8.19	—	—
130	0.00	0.23	—	—	9.34	10.03	—	—

Estimated volume total, Calls 1,086, Puts 472

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	8.44	8.41	—	—	0.00	0.45	—	—
50	8.46	7.04	—	—	0.02	1.08	—	—
92	4.53	5 41	—	—	0.08	1.45	—	—
54	3.08	4.25	—	—	0.28	2.29	—	—
96	1.49	3.22	—	—	1.05	3.26	—	—
98	0.54	2.30	—	—	2.10	4.34	—	—
100	0.22	1.50	—	—	3.42	0.54	—	—
102	0.07	1.10	—	—	6.27	7.20	—	—

Estimated volume total, Calls 162, Puts 72

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu August 5
Danish Krone	7.81701	7.94274
German D-mark	2.11083	2.11370
French Franc	6.87310	6.85823
Dutch Guilder	2.37533	2.38232
Irish Punt	0.764976	0.760141
Italian Lire	1476.55	1454.24

Long-term Eurodollars: two years 7-7⅛ per cent; three years 7½-7⅝ per cent; four years 7¾-8 per cent; five years 8-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

MONEY MARKETS

London rates easier

Interest rates declined on the London money market yesterday as sterling recovered strongly, following the agreement of ministers from the Organisation of Petroleum Exporting Countries to cut oil production. Sentiment also improved ahead of the July UK money supply figures, on hopes that sterling M3 might show a fall. The published preliminary figure was unchanged to a rise of ½ per cent, but the market was more disappointed with the rise of £3bn in bank lending, compared with forecasts of around £1.5bn to £2bn. There was little impact on interest rates however, and three-month interbank eased to 9⅞-9¾ from 9⅞-10 per cent.

The Bank of England initially forecast a money market shortage of £100m, but revised this to £500m at noon, and to £600m in the afternoon. Total assistance provided was £580m.

Before lunch the authorities bought £118m bills outright, by way of £14m bank bills in band 1 at 9⅞ per cent; £25m bank bills in band 2 at 9⅞ per cent; £5m Treasury bills in band 3 at 9¾ per cent; and £74m bank bills in band 3 at 9¾ per cent.

In the afternoon another £382m bills were purchased outright, through £50m Treasury bills in band 1 at 9⅞ per cent; £84m bank bills in band 1 at 9⅞ per cent; £216m bank bills in band 2 at 9⅞ per cent; and £22m bank bills in band 3 at 9¾ per cent.

Late assistance of £80m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £182m, with the unwinding of repurchase agreements absorbing £336m, and bank balances below target £125m. These outweighed Exchequer transactions adding £195m to liquidity and a fall in the note circulation of £45m.

In Frankfurt the West German Bundesbank drained liquidity from the money market by accepting bids of only DM8bn for yesterday's tender of securities repurchase agreements, against expiring agreements totalling DM12.8bn. The central bank accepted bids of DM4.5bn for a 28-day agreement at a rate of 4.35 per cent and DM 3.5bn for a 63-day agreement at 4.40 per cent. Bids totalled DM 18.1bn for the shorter agreement and DM 8.7bn for the longer pact. Call money was slightly easier at 4.50 per cent, compared with 4.55 per cent.

UK clearing bank base lending rate 10 per cent since May 22

FT LONDON INTERBANK FIXING

(11.00 a.m. August 5)

Three months US dollars	
bid 6 ⅛	Offer 6 ¼

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Mergeo Guaranty Trust.

NEW YORK RATES

(Lunchtime)

Prime rate	8
Broker loan rate	7½
Fed funds	6⅜
Fed funds at intervention	6⅜
Treasury Bills & Bonds	
One month	5.37
Two month	5.65
Three month	5.84
Six month	5.99
One year	6.14
Two year	6.54
Three year	6.76
Four year	6.91
Five year	7.02
Seven year	7.21
10 year	7.34
30 year	7.50

LONDON MONEY RATES

August 5	Over night	7 days notice
Interbank	7-10½	9⅞-10⅛
Sterling CDs	—	—
Local Authority Depos	9⅞	9¾-9⅞
Local Authority Bonds	—	—
Discount Mkt. Depos	7-9⅞	9⅞
Company Depos	9-10	10⅛
Finance House Depos	—	—
Treasury Bills (Buy)	—	—
Bank Bills (Buy)	—	—
Fine Trade Bills (Buy)	—	—
Dollar CDs	—	—
SDR Linked Depos	—	—
ECU Depos	—	—

MONEY RATES

London & Scottish banks' balances

as at July 16 1986

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the committee of London and Scottish bankers and cover the business of their offices and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

TABLE 2. INDIVIDUAL GROUP BALANCES

Company Notices

FINANCIAL TIMES

PUBLISHED IN LONDON • FRANKFURT • NEW YORK

Head Office: The Financial Times Ltd, Bracken House, 10 Cannon Street, London EC4P 4BY. Telex: (Editorial) 8954871. Telex: (Advertising) 885033. Telephone: 01-248 8000. Frankfurt Office: The Financial Times (Europe) Ltd, Guiollettstrasse 54, D-6000 Frankfurt-am-Main 1, West Germany. Telex: 416193. Telephone: 7598-0. Editorial: Guiollettstrasse 54. Telex: 416052. Telephone: 7598-157. New York Office: The Financial Times, 14 East 60th Street, New York, NY10022, USA. Telex: 238409 FTOL. Telephone: (212) 752 4500.

INTERNATIONAL & BRITISH EDITORIAL, ADVERTISEMENT & CIRCULATION OFFICES

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102	100½	Exch. 14pc 1986	100	....	13.29	9.44
98	94⅞	Exch. 2½pc 1986	90	+	2.54	7.00
102	100½	Exch. 13¼pc 1987	101½	....	13.05	9.70
100	97	Treas 10¼pcCv '87	100¼xd	+	10.23	9.67
97	92	Exch 2½pc 1987	97⅝xd	+	2.56	6.95
101	97½	Exch. 10½pc 1987	100	+½	10.46	9.72
98	93⅝	Funding 6½pc '85-87‡‡	98⅛	+⅛	6.61	8.77
101	96	Treas. 10pc 1987	100¼	+	9.49	9.62
97	90⅞	Treas 3pc 1987	96⅛	....	3.11	7.06
104	99⅞	Treas. 12pc 1987	102½	+⅛	11.71	9.72
99	92	Treas 7¾pc 1985-88‡‡	98	+¼	7.90	9.06
104	96½	Exch 10½pc '88	101	+	10.37	9.63
102⅝	95¼	Treas 9¾pc Cv '88	100	+	9.74	9.61
94¼	86⅝	Transport 3pc '78-88	92	+	3.23	7.03
102½	93	Treas. 9½pc '88	99¼	+	9.53	9.66
107	90	Treas 11½pc 1989	104xd	+¼	11.04	9.60
103½	93¼	Treas 9½pc Cnv. '89	99	+	9.53	9.54
92⅝	82	Treas 3pc 1989	89	+	3.34	7.11
105	95	Treas 10½pc 1989	102¼	+	10.27	9.56
104	94⅛	Exch 10pc 1989	101	+⅛	9.90	9.58
107	97	Exch 11pc 1989	103¼	+⅛	10.61	9.56
93	84½	Treas 5pc 1986-89	91	+	5.46	8.04
110	94⅝	Exch 10¼pcCv '89	105½	+½	9.72	8.26
114	103	Treas 13pc 1990‡‡	110⅛	+⅛	11.78	9.38
108⅛	97¼	Exch 11pc 1990‡‡	104xd	+	10.52	9.44
113⅛	101	Exch. 12½pc 1990	108	+⅛	11.43	9.51
89¼	79⅝	Treas 3pc 1990	86⅝	+¼	3.47	7.12
100	89¼	Treas 8¼pc 1987-90‡‡	97⅝	+⅛	8.45	8.98
106	93	Treas. 10pcCv 1990	101	+⅛	9.82	9.43
86	76½	Exch 2½pc 1990	83¼	+⅛	2.99	6.95
112	99	Treas 11¾pc 1991	108	+⅛	10.87	9.45
94¼	83	Funding 5¾pc '87-91‡‡	91⅝	+	6.28	7.92
86⅛	83½	Treas. 3pc 1991●	83	+¼	3.58	7.06
		Five to Fifteen Years				
110⅝	96	Exch. 11pc 1991	106¼	+½	10.35	9.44
116¼	103⅝	Treas 12¾pc 1992‡‡	113¼	+½	11.26	9.56
107⅝	92	Treas 10pc 1992	102⅜xd	+½	9.77	9.44
109¼	94	Treas 10½pc Cv 1992‡‡	104¼	+½	10.07	9.51
117¼	101	Exch. 12¼pc '92	111¼xd	+½	10.96	9.65
123¼	106⅞	Exch 13½pc 1992	117⅞	+½	11.53	4.70
108	94⅛	Treas 10pc 1993‡‡	102⅛	+½	9.77	9.50
120⅞	103½	Treas 12½pc 1993‡‡	114⅜	+½	10.91	9.56
92	78½	Funding 6pc 1993‡‡	90¼	+½	6.64	7.79
128⅛	109	Treas 13¾pc 1993‡‡	120¼	+½	11.39	9.69
133¼	114	Treas 14½pc 1994‡‡	126½xd	+½	11.50	9.59
127¼	108½	Exch 13½pc 1994	120	+⅞	11.25	9.74
122¼	103½	Exch. 12½pc 1994	115¼xd	+⅝	10.85	9.73
104	86⅞	Treas 9pc 1994‡‡	97⅞	+½	9.22	9.40
120⅛	101½	Treas 12pc 1995	112⅞	+½	10.63	9.72
79	68⅛	Gas 3pc '90-95	78¼	+⅝	3.83	6.27
110½	92¼	Exch. 10¼pc 1995	103½	+½	9.90	9.65
126⅛	106¼	Treas 12¾pc 1995‡‡	118¼	+½	10.78	9.70
133¼	113	Treas. 14pc '96	125¼	+¾	11.18	9.83
103⅞	86	Treas 9pc 1992-96‡‡	97⅜	+¾	9.24	9.41
142¼	120	Treas 15¼pc 1996‡‡	133⅜	+½	11.43	9.83
130½	110	Exch 13¼pc 1996‡‡	122	+⅝	10.86	9.70
84½	74⅛	Redemption 3pc 1986-96	83	+¼	3.61	5.17
106⅞	101½	Conversion 10pc 1996	102⅛	+⅝	9.79	9.65
114⅛	110	Treas 13¼pc 1997‡‡	122½	+⅝	10.82	9.76
112¼	94¼	Exch 10½pc 1997	105¼xd	+½	9.98	9.69
101⅝	84	Treas 8¾pc 1997‡‡	95¼xd	+⅝	9.20	9.48
143	120⅛	Exch. 15pc 1997	133⅞	+¼	11.20	9.89
137⅞	89	Exch. 4¼pc 1998	100⅞	+¼	9.67	9.61
88¼	72¾	Treas 6¾pc 1995-98‡‡	83	+⅝	8.13	9.13
148⅞	125	Treas. 15½pc '98‡‡	139¼	+⅝	11.15	9.87
124⅛	103	Exch. 12pc 1998	115⅞	+⅛	10.36	9.74
107¼	89	Treas 9½pc 1999‡‡	100¼	+⅜	9.49	9.48

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

Miscellaneous

1986 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
63½	30	Anglo-Dominion	63	+1	—	—	—
42	23½	Anglo Utd Dev	28	.....	1.07	♦	5.4
80	44	♥Colby Res Corp.	44	-1½	—	—	—
300	120	Cons. Murch. 10c	120	.....	Q100c	♦	16.0
34	26	♦Ennex Int. Ir10p	27	-1	—	—	—
102	70	Greenwich Res	85	.....	—	—	—
157	93	Hampton Areas 10p	146	.....	♦1.0	—	1.0
284	165	♥Highwood Res.	268	-2	—	—	—
£19⅛	£13¾	Homestake Mining $1	£15⅝xd	.....	Q20c	—	0.9
310	175	♥McFinley Red Lake	185	+1	—	—	—
285	172	♥Musto Explorations	180	+1	—	—	—
51	31½	♥New Sabina Res C$1	44	.....	—	—	—
260	200	Northgate C$1	231	-2	—	—	—
790	513	RTZ	557	+17	22.0	2.8	5.6
£164	£115	Do. 9⅛pcLn '95-2000	£124½	+4½	Q9½%	15.5	†7.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ■ "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- \# Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- A Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ll No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60	...	Fin. 13% 97/02	£114¼	+3¼
Craig & Rose £1	£10	+1	Armours	315	.....
Finlay Pkg. 5p	42	....	CPI Hldgs	45	.....
Holt (Jos) 25p	805	..	Carroll Inds.	150	.....
IoM Stm. £1	86	....	Dublin Gas	30	-23
			Hall (R. & H.)	70	.....
IRISH			Heiton Hldgs.	29½	.....
Fund 11¼% 1989	£100⅜	.	Irish Ropes	95	..
Nat. 9¾% 84-89	£98½	+⅛	Unidare	205	.....

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LONDON STOCK EXCHANGE

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Sept 1	Sept 11	Sept 12	Sept 22
July 14	July 24	July 25	Aug 4
July 28	Aug 7	Aug 8	Aug 18

* "New-time" dealings may take place from 9.30 am two business days earlier.

Surprise Opec agreement boosts Gilt-edged and oil share prices

The first conclusive outcome for some time to a meeting of the Organisation of Petroleum Exporting Countries came as a much-needed tonic for London financial markets. News of the tentative agreement to reduce production over the next two months from the current 20.3m barrels per day to around 16.7m bpd sent international crude oil prices rocketing, sterling on a welcome recovery and bond and share values sharply higher.

A revival of political uncertainty in the wake of the Commonwealth mini-summit failed to quell investors' enthusiasm. Interest quickened noticeably and Government stocks surged forward on renewed domestic and overseas buying. Awaiting the 2.30 pm announcement of the July money statistics, selected longer maturities stood 1½ points up on their previous closing levels, encouraged also by easier period rates for credit.

The small rise of ½ per cent in sterling M3 was broadly in line with expectations but the sharp increase in bank lending was far less favourable and Gilt-edged subsequently retreated from the best prices. The partly-paid tap, Treasury 8½ per cent 2007, got to within striking distance of the authorities' suspected selling level but after touching 24¾ turned back to end a net point up at 24¼. Short-dated issues were also bought and closed 1/16 higher in places.

Oil shares naturally led the advance elsewhere. The majors were particularly strong throughout the session with US support pushing British Petroleum higher still late for a close of 37 higher on balance at 610p. Shell were equally impressive with a rise of 28 to 838p while many smaller groups achieved double-figure gains. The all-round strength of the sector gave the oil-weighted FT-SE 100 share index, up 16.2 at 1,561.6, a good boost.

International equities were held back because of the effects of the firmer exchange rate, and Rowntree Mackintosh weakened after news of the proposed £144m rights issue to finance a US acquisition. Speculation that Boots was also another UK group with transatlantic aspirations, which would involve the raising of £400m via an issue of new shares at around 215p per share, triggered an onslaught of nervous selling. Amid speculation that details of the deal could be officially announced in the US today, Boots fell 19 more for a two-day drop of 29 to 224p.

Banks rally

Clearing banks staged a good rally, but failed to hold their best levels of the day. The Commonwealth's failure to agree on sanctions against South Africa helped Barclays close 6 better at 483p, after 490p, and Standard Chartered recover 9 at 722p. Lloyds, meanwhile, put on 10 at 387p, after 392p, while Midland, at 547p, and NatWest, at 507p, gained 9 apiece. Merchant banks were inclined harder in places. Goode Durrant Murray, in which Impala Pacific holds a sizeable stake, firmed 5 at 115p.

Small irregular price movements were the order of the day in Composites. Commercial Union, scheduled to report interim results next Wednesday, hardened a couple of pence at 301p. Royals cheapened 5 at 824p; the latter's half-year figures are due on August 14.

Edible oil supplier Acatos and Hutcheson staged a bright market debut; the shares, offered at 160p, opened at 165p and made steady progress to close at 170p. Among other recently-issued equities, Omnitech eased a fraction to 33½p, still a ½ premium on the placing price of 33p which was inadvertently referred to as 35p in yesterday's issue.

Leading Breweries staged a tentative rally after Monday's shake-out in the wake of news that the Monopolies Commission is to investigate the supply of beer for sale in licensed premises. A number of brokers expressed views that recent selling was overdone and this served to entice "cheap" support, especially for Whitbread A, 260p, and Bass, 745p, up 5 and 10 respectively.

Ibstock Johnsen provided a bright feature in an otherwise subdued Building sector, rising 8 to 184p, after 188p, on rumours of an imminent bid from Steetley. Watts Blake Bearne, another of the sector's speculative favourites, also moved ahead on bid hopes to close 4 higher at 188p—a two-day gain of 15. Persimmon found support at 220p, up 6, while Wiggins closed a penny better at 141p, after 139p. Having fallen 9 on Monday following the devaluation of the Irish currency, Cement Roadstone rallied 3 to 111p. Blue Circle, after improving to 575p as South African sanction worries eased, subsequently drifted back to close a couple of pence cheaper on balance at 565p. RMC hardened 2 to 642p, as did Redland, to 419p, but Tarmac lost 4 to 456p and BPB Industries shed 3 to 500p.

ICI attracted a reasonable two-way business and closed a shade dearer at 982p; the company has acquired a majority interest in the Brazilian explosive and chemical group Explo Industries. Elsewhere in the Chemical sector, Yorkshire firmed 4 more to 148p awaiting today's interim results, but William Ransom, a particularly firm market in recent days following the preliminary statement, slipped 10 to 420p. Late support left Wolstenholme Rink 6 higher at 226p.

Blacks Leisure up

Closing gains among leading Stores ranged to 6. Dixons closed that much better at 332p and Woolworth firmed 5 at 625p. Burton added 4 at 280p as did Storehouse at 327p. Secondary issues were featured by a speculative rise in Blacks Leisure which touched 11½p before closing 2 better at 10½p on vague rumours of a bid from Sears. Mail order concern Freemans, also recently rumoured to be on Sears shopping list, moved up 4 afresh to 432p. Bentalls rallied 5 to 138p and John Kent firmed the same amount to 87p, while Ramar Textiles added 2½ at 40p and Tern put on 3 at 40p. Among Shoes, Styln revived with an improvement of 7 at 230p.

Comment on the acquisition of Haden's building services division prompted a rally of 5 to 270p in BICC, while Plessey, still benefiting from the joint venture with Westinghouse of the US, advanced afresh to 210p before settling a couple of pence firmer on the day at 206p. Thorn EMI edged up 4 more to 476p, while British Telecom improved a like amount to 192p. Further consideration of the half-year figures caused renewed weakness in STV which closed a further 6 lower at 150p for a two day fall of 16. Lower annual profits left Unitech 8 down at 187p, but takeover talk prompted a rise of a few pence in Holmes Protection at 125p.

Engineers passed a rather quiet trading session. Among the leaders, GKN edged a couple of pence higher to 346p awaiting today's interim statement, Hawker, on the other hand drifted off on occasional offerings to close 8 cheaper at 517p. Elsewhere, half-year figures at the lower end of expectations left Glynwed 6 cheaper at 306p. TI eased 4 to 505p ahead of tomorrow's half-year figures.

Foods highlighted Rowntree Mackintosh which declined 20 to 397p following the proposed £144m rights issue, principally to finance the purchase of Sunmark, a US confectionery concern. Elsewhere, Retailers featured Tesco, finally 8 to the good at 370p amid talk of a broker's lunch. Revived takeover chatter stimulated occasional demand for Bejam, 3 up at 168p. Semportex closed 5 dearer at 217p, and Squirrel Horn settled a few pence firmer at 42p. Dalepak Foods improved 4 to 134p in response to the annual results.

Among Hotels and Caterers, Kennedy Brookes rose 6 to 236p, after 238p, in reply to the pleasing interim figures and accompanying statement. Norfolk Capital put on 1¼ more to 24½p as bid hopes persisted.

Traf. House advance

Trafalgar House, helped by the sharp recovery in crude oil prices, met with buying interest and pushed ahead to close 11 higher at 275p. Elsewhere among the miscellaneous industrial leaders, Unilever firmed ½ to £17¾ following a report that the company is seeking a buyer for its Birds Eye Walls delivery service. British Aerospace rallied 5 to 478p, while Charter Consolidated closed 5 to the good at 248p following the annual meeting. Among secondary issues, Pacer Systems responded to the good interim results with a rise of 20 at 210p, while CVD improved a similar amount to 160p in sympathy. Brown and Tawse, in contrast, dipped 8 to 163p following acquisition news and the proposed £9.47m rights issue. Nu-Swift, a recent bid favourite, reacted 7 to 173p, but Cannon Street Investments rose 6 to 136p on the interim figures and forecast of a significant profits improvement for the full year. Occasional buying left Suter 5 to the good at 224p. Scapa edged up a few pence to 502p in response to press mention, but Bridon, still reflecting a broker's downgraded profits forecast, eased 4 further to 148p.

First-half figures in line with general expectations and the confident tenor of the accompanying statement lifted Pleasurama a few pence to 320p. Fellow casino concern Aspinall rose 7 to 137p in sympathy. Elsewhere among Leisure counters, further support was evident for WSL which advanced 3 for a two-day gain of 10 at 195p. News that Hoares Bank Nominees holds a disclosable stake lifted Leisuretime International 7 to 89p.

Recent strong support of T. Cowie ahead of the interim figures proved fully justified yesterday when the company revealed record first-half profits and a 40 per cent increase in the interim dividend which lifted the shares a further 9 to a 1986 peak of 206p. Elsewhere in Motors, Lucas rallied 7 to 530p and Jaguar hardened a few pence to 508p. Jonas Woodhead, still reflecting hopes of a bid from Carclo, improved a couple of pence to 68p.

Irish concern Independent featured Newspapers with a rise of 20 to a new peak of 310p following the interim results. Elsewhere, McCorquodale put on 8 at 213p and Aldcom International moved up 4 at 54p. Klearfold continued to reflect recovery hopes in the wake of the abysmal interim figures with a fresh improvement of 5 at 73p. Good Relations touched 105p before closing 2 dearer on the session at 100p. Saatchi remained a friendless market at 680p, down 10.

Significant movements in the Property sector were few, but Rush and Tompkins encountered selling following comment on the results and closed a net 8 down at 262p. Occasional support left London and Edinburgh 5 better at 635p and Egerton Trust a penny dearer at 86p. Dealings in Wingate Property were suspended at 130p, up 20, at the company's request pending an announcement. Among the leaders, Land Securities edged up a couple of pence to 320p, but MEPC, after early progress to 328p, drifted back to close unchanged at 325p.

Outwich were outstanding among Investment Trusts, rising 40 to 200p on unitisation prospects. Tribune gained 12 in sympathy to 140p. Among Financials, Exco revived with a speculative improvement of 6 to 223p, but Aitken Hume fell 6 to 128p on the late announcement that Tranwood's offer had lapsed. Recent speculative favourite Amalgamated Financial encountered early selling and plummeted to 21p before rallying strongly to close only a penny cheaper on balance at 25p.

Oils sharply higher

The oil majors celebrated Opec's tentative agreement to cut oil production with double-figure gains. Apart from the sharp rises in BP and Shell, Enterprise figured prominently with a gain of 17 at 119p, while Britoil, a particularly dull market since the dismal results, rallied strongly to 126p before closing a net 15 up at 120p. LASMO finished 16 higher at 112p, after 115p, while Tricentrol put on 11 to 61p. Triton Europe moved up 20 to 103p and I C Gas rose 13 to 413p. Smaller-priced issues also went sharply higher, with Goal, 34p, and Pict Petroleum, 25p, both up 4. Floyd added 3 to 43p and similar improvements were seen in Carless Capel, 56p, and Clyde Petroleum, 34p. Premier gained 5½ to 28p and New London firmed 3 to 24p.

Polly Peck, a friendless market of late following adverse comment, returned to favour yesterday and closed 12p better at 145p with the help of call option activity. Lonrho, heavily sold recently on concern about its South African interests, recovered 5 to 205p, while revived speculative support lifted Tozer Kemsley Millbourn 6 to 155p.

Business in South African mining markets remained at an extremely low ebb as investment interest was once again severely inhibited by disquiet over the Commonwealth split regarding measures against Pretoria.

Small selling from Johannesburg set the tone among top-quality Golds, but dealers reported minimal activity from other international centres, partly reflecting another steady showing by the Financial Rand *against* the dollar. Eventual losses were attributed to an attempt to establish a realistic trading level.

Randfontein was hardest hit, closing 1⅜ off at £40. Smaller falls were noted for Vaal Reefs, £33½, and Southvaal, £15⅞. Elsewhere, Winkelhaak dipped 28 to 832p, while losses of around 20 were common to Driefontein, 706p, and Kinross, 592p. The FT Gold Mines index suffered its first reverse since last Wednesday, easing 3.4 to 193.1.

South African Financials mirrored Golds. Amgold dipped almost 1½ points to £31½, while Anglo American Corporation shed 15 to 630p. Recently buoyant Platinums also lost ground, with Rustenburg 28 lower at 580p and Impala 15 off at 600p. London-domiciled issues, on the other hand, staged a useful rally. RTZ, regarded as oversold of late, recovered 17 to 557p, while Consolidated Gold Fields touched 429p before settling a net 7 to the good at 427p.

Australian mines were overshadowed in overnight domestic markets by activity in oil and gas issues. Nevertheless, leading diversified issues made fresh progress, reflecting a return to confidence in the Federal Government's efforts to reduce the budget deficit. CRA, 236p, and Peko-Wallsend, 215p, put on 6 and 8 respectively, while Bougainville rose a few pence to 112p.

Despite the decline in the bullion price, "down-under" Golds continued to attract support. Gold Mines of Kalgoorlie improved 20 more to 400p, while Central Norseman hardened 10 to 393p and Poseidon put on 4 to 115p. ACM, 115p, and Sons of Gwalia, 218p, advanced 5 and 10 respectively.

Traded Options

Demand for Traded Options expanded sharply. Total contracts struck amounted to 16,864—10,189 calls and 6,675 puts. The increase in volume was largely attributable to a lively business in Oils, with British Petroleum recording 1,799 calls and 1,130 puts, and Lasmo attracting 1,804 calls and 1,136 and 1,041 puts transacted.

FINANCIAL TIMES STOCK INDICES

	Aug 5	Aug 4	Aug 1	July 31	July 30	Year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	89.21	88.65	88.90	89.06	89.35	82.96	94.51 (16/4)	80.39 (21/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.12	95.85	95.97	96.02	95.74	88.29	95.68 (1/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,265.8	1,261.5	1,273.4	1,272.0	1,280.3	956.1	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	193.1	196.5	196.0	193.3	193.2	289.1	357.0 (27/2)	185.7 (11/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.35	4.37	4.33	4.34	4.31	4.89				
Earnings Yld.%(full)	10.58	10.63	10.35	10.55	10.49	12.08				
P/E Ratio (net) (*)	11.53	11.47	11.58	11.56	11.63	10.21				
Total Bargains (Est)	21,683	20,770	19,101	22,333	21,150	19,717				
Equity Turnover £m.	—	456.05	338.34	488.51	534.19	389.81				
Equity Bargains	—	17,830	15,902	18,259	19,484	16,415				
Shares Traded (ml).	—	234.4	182.2	224.9	233.4	173.2				

S.E. ACTIVITY

Indices	Aug 4	Aug 1
Gilt Edged Bargains	112.6	100.5
Equity Bargains	115.5	123.0
Equity Value	921.8	683.9
5-Day Average		
Gilt Edged Bargains	108.3	107.3
Equity Bargains	117.7	119.3
Equity Value	919.0	919.8

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1266.9	1264.6	1265.6	1265.6	1266.1	1266.7	1267.9	1267.7

Day's High 1268.2. Day's Low 1264.6.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.15.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 27%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon August 4 Index No.	Fri Aug 1 Index No.	Thurs July 31 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (212)	693.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	514.34
2 Building Materials (26)	[illegible]									
3 Contracting, Construction (30)	[illegible]									
4 Electricals (12)	[illegible]									
5 Electronics (38)	[illegible]									
6 Mechanical Engineering (61)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (16)	[illegible]									
10 Other Industrial Materials (22)	[illegible]									
21 CONSUMER GROUP (183)	[illegible]									
22 Brewers and Distillers (22)	[illegible]									
25 Food Manufacturing (22)	[illegible]									
26 Food Retailing (15)	[illegible]									
27 Health and Household Products (10)	[illegible]									
29 Leisure (28)	[illegible]									
31 Publishing & Printing (14)	[illegible]									
32 Packaging and Paper (14)	[illegible]									
34 Stores (39)	[illegible]									
35 Textiles (17)	[illegible]									
36 Tobaccos (2)	[illegible]									
40 OTHER GROUPS (88)	[illegible]									
41 Chemicals (20)	[illegible]									
42 Office Equipment (4)	[illegible]									
45 Shipping and Transport (13)	[illegible]									
47 Telephone Networks (2)	[illegible]									
48 Miscellaneous (49)	[illegible]									
49 INDUSTRIAL GROUP (483)	[illegible]									
51 Oil & Gas (17)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (117)	[illegible]									
62 Banks (7)	[illegible]									
65 Insurance (Life) (9)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (9)	[illegible]									
68 Merchant Banks (12)	[illegible]									
69 Property (50)	[illegible]									
70 Other Financial (23)	[illegible]									
71 Investment Trusts (101)	[illegible]									
81 Mining Finance (2)	[illegible]									
91 Overseas Traders (14)	[illegible]									
99 ALL-SHARE INDEX (734)	[illegible]									
FT-SE 100 SHARE INDEX ♦	1561.6	+16.2								

FIXED INTEREST

[illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (58)

BRITISH FUNDS (1) Tres. 8½pc 2007 (£25 pd). BANKS (1) Algemene. BREWERS (1) Devenish (J. A.) 4.5pc Cv2ndPf. BUILDINGS (2) Countryside Props., Sharpe and Fisher. CHEMICALS (3) Hoechst Fin. 10pcUnsecLn, Schering AG, Yorkshire Chemicals. STORES (1) Brown (N.) Invs. ELECTRICALS (3) Mellerware Intl. Sher- [illegible] ... ler Markets, Do. 8, Outwich Ink. Pacific Inv. Trust, SPLIT Inc., Stockholders F.E., Antofagasta SpcCumPref. OILS (5) B.P., Enterprise Oil, Exxon, Petrofina SA, Royal Dutch, Shell Transport. MINES (4) ACM, Hawk Invs., Julia Mines, Sons of Gwalia.

NEW LOWS (35)

AMERICANS (5) Contl. Illinois Corp., [illegible]

BASE LENDING RATES

	%		%
ABN Bank	10	Exeter Trust Ltd	10½
Allied Arab Bank Ltd	10	Financial & Gen. Sec.	10
Allied Dunbar & Co	10	First Nat. Fin. Corp	11
Allied Irish Bank	10	First Nat. Sec. Ltd	11
American Express Bk	10	● Robert Fleming & Co	10
Amro Bank	10	Robert Fraser & Ptrs	11
Henry Ansbacher	10	Grindlays Bank	‡10
Associates Cap Corp	10	● Guinness Mahon	10
Banco de Bilbao	10	● Hambros Bank	10
Bank Hapoalim	10	Heritable & Gen. Trust	10
Bank Leumi (UK)	10	● Hill Samuel	§10
Bank Credit & Comm	10	C. Hoare & Co	†10
Bank of Cyprus	10	Hongkong & Shanghai	10
Bank of Ireland	10	Knowsley & Co. Ltd	10½
Bank of India	10	Lloyds Bank	10
Bank of Scotland	10	Mase Westpac Ltd	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Benchmark Trust Ltd	10	● Morgan Grenfell	10
Beneficial Trust Ltd	11	Mount Credit Corp. Ltd	10
Berliner Bank AG	10	National Bk. of Kuwait	10
Brit. Bk. of Mid. East	10	National Girobank	10
Brown Shipley	10	National Westminster	10
CL Bank Nederland	10	Northern Bank Ltd	10
Canada Permanent	10	Norwich Gen. Trust	10
Cayzer Ltd	10	PK Finans. Intl (UK)	10½
Cedar Holdings	10	Provincial Trust Ltd	11
Charterhouse Bank	10	R. Raphael & Sons	10
Citibank NA	10	Roxburghe Guarantee	10½
Citibank Savings	¶10¾	Royal Bank of Scotland	10
City Merchants Bank	10	Royal Trust Co. Canada	10
Clydesdale Bank	10	Standard Chartered	10
Comm. Bk. N. East	10	Trustee Savings Bank	10
Consolidated Credits	10	TCB	10
Continental Trust Ltd	10	United Bank of Kuwait	10
Co-operative Bank	*10	United Mizrahi Bank	10
The Cyprus Popular Bk	10	Westpac Banking Corp	10
Duncan Lawrie	10	Whiteaway Laidlaw	10½
E.T. Trust	10	Yorkshire Bank	10
Equatorial Tst Corp plc	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. † Call deposits £1,000 and over 6¾% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 38,140

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Aug 4	Aug 15	Nov 6	Nov 17
Aug 18	Sept 5	Nov 20	Dec 1
Sept 8	Sept 19	Dec 4	Dec 15

For rate indications see end of Unit Trust Service

Call options were taken out in Amstrad, Prestwich, Glanfield, Lawrence, Parkdale, Benjamin Priest, Ryman, Sound Diffusion, Barker and Dobson, BSG International, STC, BPCC, Polly Peck, Britoil, British Telecom, Hawtin, Lanca, Lonrho, International Leisure, Sears and Tay Homes. A put was done in South New Court, while a double option was transacted in Bristol Oil and Minerals.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	102	1	12
Corpns, Dom & Foreign Bonds	36	2	35
Industrials	276	300	[illegible]
Financial & Props.	103	104	371
Oils	68	10	[illegible]
Plantations	7	0	14
Mines	45	52	[illegible]
Others	40	85	107
Totals	669	563	1,614

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List.

[illegible]

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

[illegible]

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*320)	300	32	42	52	6	[illegible]	[illegible]
	330	15	25	33	22	[illegible]	[illegible]
	360	6	13	10	42	[illegible]	[illegible]
B.P. (*608)	500	115	125	—	1	[illegible]	[illegible]
	550	65	75	88	6	[illegible]	[illegible]
	600	28	50	58	22	[illegible]	[illegible]
Cons. Gold (*427)	420	32	42	50	23	[illegible]	[illegible]
	460	13	27	32	35	[illegible]	[illegible]

[illegible]

August 5. Total contracts 16,864. Calls 10,189. Puts 6,675. *Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

GERMANY

NORWAY

AUSTRALIA (continued)

JAPAN (continued)

CANADA

TORONTO

Closing prices August 5

MONTREAL

Closing prices August 5

BELGIUM/LUXEMBOURG

SPAIN

HONG KONG

DENMARK

SWEDEN

ITALY

JAPAN

SINGAPORE

FRANCE

SWITZERLAND

NETHERLANDS

AUSTRALIA

SOUTH AFRICA

Indices

NEW YORK - DOW JONES

Advances 883 Declines 617

TORONTO	Aug 5	Aug 4	Aug 1	July 31	1986 High	1986 Low
Metals & Minls	1,917.3	closed	1,934.88	1,947.50	2,442.85 (21/3)	1,934.0 (18/7)
Composite	2,956.6	closed	2,932.50	2,935.38	3,129.11 (18/4)	2,754.8 (17/2)
MONTREAL Portfolio	1,474.19	1,469.46	1,458.14	1,462.70	1,823.33 (18/4)	7,388.0 (22/1)

* Indicates pre-close figure

** Saturday August 2: Japan Nikkei 17,284.6. TSE 1,406.97.

Base value of all indices are 100 except Brussels SE—1,000; JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 27

EUROPE

Continued from Page 28

added 7.5 per cent to FFr 298, Total jumped 4.2 per cent to a year's high of FFr 388.50 and Esso SAF added 3.5 per cent to FFr 549.

However, Schneider fell 8 per cent to FFr 730.

Milan fell to profit-taking, and speculative sales and prices drifted lower.

The biggest losses were felt among the blue chips that had made hearty gains in the previous sessions of this week and late last week.

Fiat dropped L245 to L14,805, Montedison lost L50 to L3,470 and IFI retreated L510 to L28,000.

Madrid ended higher after an active session as food issues led the rally.

HONG KONG

PROFIT TAKING dented Hong Kong taking the Hang Seng index back below the 1,900 level breached on Monday. The index closed 17.24 down at 1,889.04.

Utilities saw some of the sharpest falls. Hongkong Telephone fell 30 cents to HK$13, Hongkong Electric lost 20 cents to HK$9.50 and Hongkong and China Gas closed 10 cents lower at HK$18.90. China Light was unchanged at HK$18.30.

Banks were mixed, with East Asia up HK$1 at HK$18.80, Hang Seng steady at HK$35.25 and Hongkong and Shanghai down 5 cents at HK$7.

Elsewhere, Hutchison Whampoa fell 5 cents to HK$31.75, Jardine Matheson lost 10 cents to HK$15.10, Swire Pacific was 40 cents off at HK$13.50 and Cheung Kong slipped 40 cents to HK$23.60. Hongkong Wharf and Hongkong Land were unchanged at HK$7.65 and HK$6.20, respectively.

SOUTH AFRICA

LATE DEMAND for golds in Johannesburg gave a boost to the sector which had earlier drifted aimlessly amid uncertainty over sanctions.

Buffelsfontein scored a R1 rise to R81.50 although Driefontein and Gold Fields lost 25 cents each to R55.25 and R42, respectively.

Among other minings Rustenburg Platinum rose 75 cents to R47.25, and diamond share De Beers added 85 cents to R31.25. Mining financial Anglo American was steady at R50.

Elsewhere, Barclays Bank was unchanged at R21.25 while Barlow Rand firmed 5 cents to R18.40.

LONDON Chief price changes (in pence unless otherwise indicated)

RISES		
Ex11%-90	£104¾	+ ⅞
Tr11¾%03-07	£118⅝	+ 1⅛
Aspinall	137	+ 7
Blacks Leis	10½	+ 2
BP	610	+37
Britoil	120	+15
Cannon St Inv	136	+ 6
Cowie (T.)	206	+ 9
Enterprise Oil	119	+17
G.M. Kalgoorlie	400	+20
Ibstock J	184	+ 8
Leisuretime	89	+ 7
Lloyds Bank	387	+10
LASMO	113	+18
Outwich Inv	200	+40
Pacer Systems	210	+20
Polly Peck	145	+12
RTZ	557	+17
Shell Tr'port	838	+28
Tesco	370	+ 8
Trafalgar Hse	275	+12
Triceotrol	61	+11
Triton Europe	103	+20
Y'shire Chem	184	+ 4
FALLS		
Aitken Hume	129	− 6
Boots	224	−19
Glynwed Intl.	308	− 8
Rowntree Mac	397	−20
R & Tompkins	262	− 8
STC	150	− 6

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 27

NYSE COMPOSITE CLOSING PRICES

Continued from Page 26

12 Month High	Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
97	71⅞	PhilE pf9.52	10.			z10	95¼	95¼	95¼	
90½	69	PhilE pf8.50	11.			z50	89½	89½	89½	+¾
[illegible]	57¼	PhilE pf7.80	16			z100	76	76	76	
75	55½	PhilE pf7.75	11			z100	72½	72½	72½	
22¼	18⅜	PhilSub 1.32	5.7	14		258	23¼	22¼	23¼	+1
76⅛	35	PhilMr s2.30	3.3	12		4662	72⅛	70⅛	70⅜	−1⅜
38	18¾	Phlpls .72	2.5	13		1573	29⅛	28	28⅞	−¼
13½	8½	PhilPet .60	8.2	9		1709	219	8⅝	8⅝	+⅝
25½	19¾	PhlPt pf2.81e	13.			1425	20¼	19⅞	20⅛	+⅝
40⅛	24⅞	PhilVH .40	1.6	14		122	39⅞	38⅛	38⅞	+¼
44¾	28⅜	PiedA s .32	.6	11		1305	40½	39⅝	40⅛	−¼
53	49½	PiedA pf				15	50⅛	50½	50⅞	⅛
20¼	15⅛	PieNG s1.20	6.3	9		229	19⅛	18	19	
27⅜	9⅞	Pier 1 s		23		283	17⅛	16⅞	16⅞	−1
11½	9	PilgRg n.12e	1.3			119	9¾	9⅝	9½	−⅛
82⅜	50⅜	Pilsbry 1.72	2.4	15		547	72¾	71⅝	71⅝	−¾
29⅜	13¼	PionrEl .10e	.4			1	25	25	25	−⅛
63¾	37	PitnyB 1.32	2.2	15		750	60⅜	59¾	60	+⅛
15⅞	10¾	Pittstn		61		2675	12½	12	12¼	−½
26½	15	Plains n .07	.3	47		483	21¾	20⅞	21½	+⅞
24	14⅞	PlanRs .20	1.0	17		570	20⅜	20⅜	20½	
19½	8¼	Plantrn .16	1.0	13		174	16⅜	16⅜	16½	+⅛
10¼	6⅜	Playboy				30	6⅞	6¾	6¾	−⅛
37¼	19¼	Plosey .72e	2.3	23		24	31½	30½	31½	+1½
15	5	PogoPd .20	3.3			1275	6¼	6	6	+⅜
73¾	29½	Polarid 1	1.6	24		1380	64½	63⅛	63½	
25	10½	Pondrs .40	1.9	17		380	21¾	21¼	21¼	−⅛
24½	16¾	Pop1al .80b	4.4	19		98	18⅛	17¾	18	
22⅝	14¾	Portec .60	3.8	38		x66	17⅝	16¼	16⅞	−⅜

X Y Z

12 Month High	Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72¼	45¾	Xerox 3	5.7	16		2246	52⅝	51⅞	52½	
56¼	53½	Xerox pf5.45	9.6			13	57	57	57	+⅝
28¾	20⅝	XTRA .64	2.9			144	22⅛	21⅞	22⅞	+⅛
17⅝	13½	Yorkin n				111	15⅞	15½	15½	−⅛
39	28¼	ZaleCp 1.40	4.1			65	34	33½	33⅞	−⅛
9⅞	3½	Zapata .03r				1172	4½	4	4⅛	−½
43⅞	23⅞	Zayre s .32	1.2	16		1470	23⅞	26⅞	26½	−4
17	11¼	Zemex .40	3.5	12		1	11½	11½	11½	
29⅞	16¼	ZenithE				788	22⅞	22⅜	22⅝	+½
18¼	8⅝	ZenLb s		14		5023	10½	9⅞	10⅜	+½
22⅜	14½	Zero s .29	1.9	15		266	15⅞	15	15⅞	−⅛
45¾	32¾	Zurnln 1.32	3.6	13		81	36¼	35⅝	36⅛	+⅛

Sales figures are unoffical. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 25

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Opec pact improves sentiment

OIL AND BANK stocks were in the forefront of a strong rally on Wall Street yesterday as investors assessed the implications of the Opec accord on production levels, *writes Paul Hannon in New York.*

The bond market fell sharply with prices down ¾ of a point in key Treasury issues as the refunding programme began.

At the close the Dow Jones industrial average was up 7.03 at 1,777.00, having shown an early rise of over 18 points. The utilities average however dipped 0.06 to 202.95. Volume was high at 153m shares. Among blue chips IBM retreated $⅛ to $130⅞, American Can jumped $1⅛ to $82⅝ and Merck firmed $½ to $107⅛.

The Opec oil production news boosted Mobil $1⅛ ahead to $33 in active trading, and Exxon was $2⅛ higher to $64⅝ in heavy volume while Texaco, also busy, picked up $⅝ to $30⅝. Most other oil and oil-related issues gained in high turnover.

Banks were buoyed on the prospects of an easing of debt problems for some of the major oil producing countries. Citicorp gained $1⅝ to $54, and Chase Manhattan Bank traded $1⅞ higher to $40⅝ while Manufacturers Hanover, at $44⅞, was $1⅛ ahead.

The steels sector was active again with USX, the largest producer, jumping $1⅜ to $18⅞ on its attempts to reach a strike settlement soon. Bethlehem Steel gained an early $⅛ but finished unchanged at $7 in very active trading as LTV, the other troubled producer, held steady at $2⅜.

The Detroit car makers were mixed despite releasing higher late-July car sales figures. Ford gained $⅜ to $55⅝, Chrysler was $⅝ up at $37 and General Motors was steady at $69⅝.

Airlines, unlikely to benefit from the Opec production pact, were also confronted with mixed July traffic figures. Pan Am, which revealed a huge second-quarter loss and a sharp 22.3 per cent drop in July traffic, dipped $⅜ to $5⅝ while Eastern Air Lines, revealing a gain of 8 per cent for the month, held unchanged at $8⅜. UAL, the largest domestic carrier, dropped $1 to $49⅝ while AMR fell $1⅛ to $49⅞.

Owens Corning Fibreglas jumped $6⅝ to $73⅝, a new high for the year, on speculation that Wickes, the building products group, was preparing a bid of up to $80 a share. Wickes, traded on the American Stock Exchange, firmed $⅝ to $5⅞ in heavy turnover.

One of the strongest features of the session was the $19⅝ surge to $73⅞ for Ex-Cell-O on the $68-a-share bid by Textron, the diversified aerospace to consumer products group, which firmed $⅝ to $52⅞.

Other aerospace stocks were mixed, with Boeing $⅝ down at $59⅝ and McDonnell Douglas $⅞ up at $80⅝.

Cray Research led the computer sector higher with its $⅝ gain to $82⅞ after recent volatility while Burroughs dipped $⅝ to $66⅝. Apple Computer, traded on the over the counter market, added $⅛ to $32⅞.

Associated Dry Goods was one of the few strong points in a broadly weaker stores sector. It added $1⅛ to $60½ while May Department Stores was $1⅛ up at $36⅞. Sears retreated $⅛ to $42 and Safeway fell $⅛ to $65.

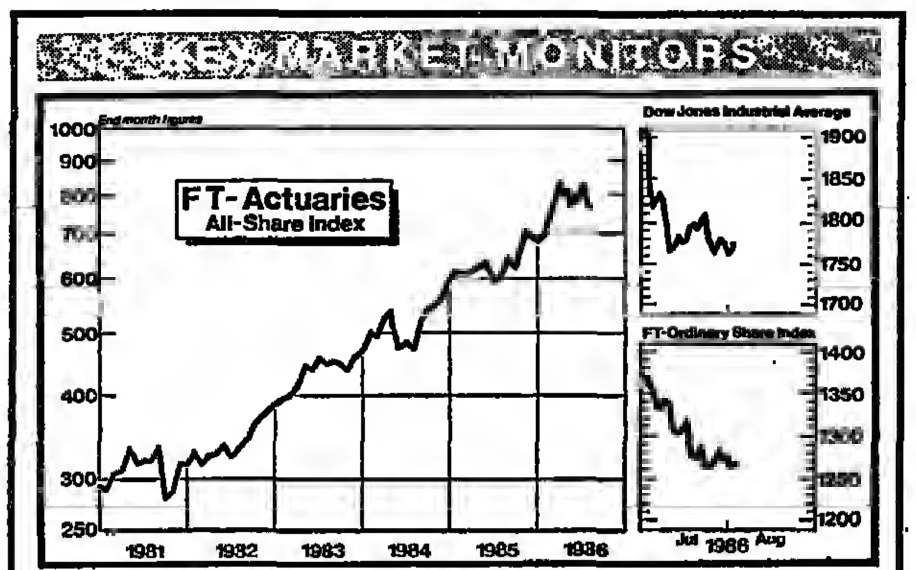
In the bond market, prices of key Treasury issues were broadly lower on the Opec news and as the first stage of the $28bn refunding operation began. The average yield of the Treasury's new three-year notes was set at 6.73 per cent.

The bellwether bond, the 7¼ due in 2016, dropped 23/32 at 96 7/32 to yield 7.52 per cent while the other key issue, the 7⅜ due in 1998, fell 18/32 at 99 9/32 to yield 7.37 per cent.

Federal funds held at 6 3/16 per cent for most of the session at which level the Federal Reserve Board announced a $1.5bn customer repurchase.

Rates on Treasury bills were firmer, with the three-month bill four basis points higher at 5.74 per cent and the six-month rate five basis points up at 5.78 per cent. The 12-month bill gained five points to 5.83 per cent.

Short-covering helped municipal bonds recover from sharp opening losses of a full point to trade between ½ and ¾ lower.



STOCK MARKET INDICES

	August 5	Previous	Year ago
NEW YORK			
DJ Industrials	1,777.00	1,769.97	1,346.89
DJ Transport	710.88	709.13	694.64
DJ Utilities	202.95	203.01	155.31
S&P Composita	237.03	235.99	190.62
LONDON			
FT Ord	1,265.8	1,261.5	956.1
FT-SE 100	1,561.6	1,545.4	1,271.8
FT-A All-share	773.68	768.04	616.73
FT-A 500	850.57	843.95	677.65
FT Gold mines	193.1	196.5	298.1
FT-A Long gilt	9.52	9.62	10.29
TOKYO			
Nikkei	17,414.78	17,263.10	12,450.6
Tokyo SE	1,429.00	1,409.13	1,010.45
AUSTRALIA			
All Ord.	1,127.2	1,120.2	940.5
Metals & Mins.	516.0	512.4	543.4
AUSTRIA			
Credit Aktien	234.00	232.55	n/a
BELGIUM			
Belgian SE	3,707.05	3,650.15	2,301.61
CANADA			
Toronto			
Metals & Minls	1,817.3	closed	2,106
Composite	2,955.6	closed	2,761.5
Montreal			
Portfolio	1,474.19	1,459.46	136.97
DENMARK			
SE	201.77	197.46	217.44
FRANCE			
CAC Gen	378.80	379.60	215.6
Ind. Tendance	145.20	144.40	79.6
WEST GERMANY			
FAZ-Aktien	620.26	604.70	476.29
Commerzbank	1,865.30	1,822.40	1,400.7
HONG KONG			
Hang Seng	1,888.04	1,906.28	1,671.90
ITALY			
Banca Comm.	n/e	750.43	362.92
NETHERLANDS			
ANP-CBS Gen	289.90	287.70	216.0
ANP-CBS Ind	287.40	286.70	188.0
NORWAY			
Oslo SE	337.18	331.61	349.95
SINGAPORE			
Straits Times	763.64	751.75	754.78
SOUTH AFRICA			
JSE Golds	–	1,391.1	829.3
JSE Industrials	–	1,246.9	921.2
SPAIN			
Madrid SE	184.96	184.21	81.71
SWEDEN			
J & P	n/a	2,531.73	1,376.18
SWITZERLAND			
Swiss Bank Ind	501.60	497.20	455.1
WORLD	Aug 4	Prev	Year ago
MS Capital Int'l	328.0	328.0	218.1

COMMODITIES

(London)	Aug 5	Prev
Silver (spot fixing)	346.05p	348.40p
Copper (cash)	£871.50	£886.00
Coffee (Nov)	£1,717.50	£1,707.50
Oil (Brent blend)	$13.95	$10.35

GOLD (per ounce)

	August 5	Prev
London	$359.00	$359.25
Zürich	$358.60	$359.85
Paris (fixing)	$357.74	$360.36
Luxembourg	$358.25	$360.90
New York (Dec)	$366.10	$367.50

CURRENCIES

	US DOLLAR		STERLING	
(London)	Aug 5	Previous	Aug 5	Previous
$	–	–	1.4860	1.4710
DM	2.0880	2.0835	3.1025	3.0650
Yen	154.90	154.05	230.25	226.5
FFr	6.7725	6.7700	10.065	9.9575
SFr	1.6865	1.6765	2.505	2.465
Guilder	2.352	2.349	3.495	3.455
Lira	1,438	1,428	2,136.75	2,100.5
BFr	43.20	43.05	64.20	63.35
C$	1.3800	1.3825	2.0630	2.0340

INTEREST RATES

	Aug 5	Prev
Euro-currencies (3-month offered rate)		
£	9⅞	10 1/16
SFr	4½	4 9/16
DM	4⅝	4 11/16
FFr	7 5/16	7 5/16
FT London Interbank fixing (offered rate)		
3-month US$	6½	6½
6-month US$	6½	6½
US Fed Funds	6 3/16*	6¼
US 3-month CDs	6.15*	6.375
US 3-month T-bills	5.69*	5.86

US BONDS

Treasury

		August 5* Price	Yield	Prev Price	Yield
6⅞	1988	100 5/32	6.556	100 8/32	6.52
7¼	1993	99 31/32	7.252	100 5/32	7.21
7⅜	1996	99 31/32	7.377	100 10/32	7.33
7¼	2016	96 15/32	7.537	97 12/32	7.47

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index	Aug 5* Day's change	Yield	Day's change
1–30	153.84	–0.24	7.27	+0.03
1–10	146.91	–0.08	7.01	+0.02
1– 3	138.09	+0.01	6.64	+0.01
3– 5	149.18	–0.09	7.18	+0.03
15–30	178.76	–0.81	8.17	+0.05

Source: Merrill Lynch

Corporate	August 5* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	91½	6.38	81½	6.38
SCBT South Central				
10⅞ Jan 1993	106½	9.53	106½	9.53
Phibro-Sal				
8 April 1996	97.4	6.40	97.4	8.40
TRW				
8¾ March 1996	101⅝	8.50	101⅝	8.50
Arco				
9⅞ March 2016	102.18	8.65	101½	8.72
General Motors				
8⅛ April 2018	81	8.00	90.03	9.10
Citicorp				
9⅞ March 2016	96	9.79	95	9.90

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Sept	96–22	97–05	96–10	97–25
US Treasury Bills (IMM)				
$1m points of 100%				
Sept	94.45	94.47	94.42	94.49
Certificates of Deposit (IMM)				
$1m points of 100%				
Sept	n/a	n/a	n/a	93.93
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Sept	93.55	93.57	93.51	93.54
20-year Notional Gilt				
£50,000 32nds of 100%				
Sept	120–15	120–29	120–05	119–26

** Latest available figures*

TOKYO

Fresh rally powered by utilities

A RALLY in response to a surge in the price of Tokyo Electric Power ended a four-day losing streak in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Buying interest was evident in electric power and gas stocks, large-capital steel, shipbuilding and heavy industries issues, and public works-related shares such as general contractors.

The Nikkei average gained 151.68 to 17,414.78 on volume of 638.87m shares, up from Monday's 330.35m. Gains outpaced losses by 552 to 273, with 120 issues unchanged.

Tokyo Electric Power, favoured by some institutional and individual investors, soared Y340 to Y8,090 at one stage, rising above the previous high of Y8,070 reached on July 31, before closing Y250 up at Y8,000. Volume was 14.97m shares.

In sympathy, Tokyo Gas added Y41 to Y814 and topped the active list with 57.17m shares traded. Chubu Electric Power also jumped Y240 to Y3,850 and Osaka Gas Y28 to Y582.

These gains in electric power and gas stocks came despite the sharp rebound in oil prices and the weakening yen. Cheaper crude prices and a stronger yen had fuelled gains by these stocks in the booming market in July.

Steel and shipbuilding issues, which had led the July market, gained ground, with Nippon Kokan firming Y14 to Y232, Ishikawajima-Harima Heavy Industries Y23 to Y403 and Nippon Steel Y2 to Y194.

Toshiba, a quasi-large-capital issue closely linked with Nippon Telegraph and Telephone (NTT), added Y21 to Y510 on the second-heaviest trading of 56.02m shares. Mitsubishi Electric also gained Y14 to Y452.

Stocks with close capital or supply links with NTT were also spotlighted. Fujikura soared Y25 before closing Y2 up at Y717. Anritsu Electric, a leading maker in the field of optical communications, rose Y160 to Y3,140, and Tohoku Metal Industries, a dominant maker of telephone cards, advanced Y210 to Y2,650.

Public-works-related shares were also favoured. Ohbayashi gained Y30 to Y780 and Kajima Y45 to Y1,000. Property issues gained ground, with Mitsubishi Estate rising Y50 to Y2,140, but trading was lacklustre.

Yesterday's rally recouped nearly a third of the ground lost during the preceding four consecutive sessions. But few analysts expect that it will lead to a repeat this month of July's booming market.

Institutional investors, who helped swell trading volume to more than 990m shares on a daily average in July, have turned inactive. This is the main reason why the Nikkei average, after rising 212 points at one stage, fell in the afternoon session.

Speculative trading between dealers dominated the bond market with discouraging factors such as a weaker yen and sharply higher oil prices ignored.

The yield on the bellwether 6.2 per cent government bond due in July 1995 dipped to 4.875 per cent from Monday's 4.685 per cent. Also sought were bonds of similar maturities but priced lower relative to the benchmark bond. The yield on the 6.8 per cent government bond due in September 1994 slipped to 5.105 per cent from Monday's 5.120 per cent.

But trading lacked vigour as dealers were increasingly nervous about the outcome of auctions of US Treasury bonds and notes being held this week.

SINGAPORE

THE RESULTS of the Malaysian general election continued to boost Singapore although some of the euphoria of Monday's session had worn off.

Blue chips led the advance which saw the Straits Times industrial index add 11.89 to 763.64.

Among actives Haw Par Brothers closed 10 cents higher at S$2.95 and Raleigh was unchanged at S$1.74.

Banks closed narrowly mixed with a firmer bias. DBS rose 5 cents to S$7.10, and Tat Lee was up 4 cents at S$2.44. UOB held steady at S$4, but Malay Banking lost 4 cents to S$3.86.

Elsewhere, Singapore Airlines rose 10 cents to S$7.50, Cold Storage 12 cents to S$3.44, Sime Darby 3 cents to S$1.45 and Straits Trading 8 cents to S$2.83.

CANADA

OIL AND BANK shares traded higher in Toronto in the wake of news of an Opec agreement to cut production.

Among oils showing gains were Imperial Oil Class A which traded C$2⅛ up to C$39⅞ and Texaco Canada, which added C$1⅛ to C$27⅞.

Banks to gain included Royal Bank of Canada, which traded C$⅛ up to C$31⅞, and Bank of Montreal, which rose C$⅝ to C$30⅞.

In Montreal banks traded higher while utilities and industrials generally showed smaller gains.

EUROPE

$ recovery buoys Frankfurt

THE DOLLAR's slight recovery spurred buying in Frankfurt, and prices soared as moderate buying, mostly from foreign investors, hit a thin market.

The Commerzbank index shot up 42.9 to 1,865.3, and turnover was greater than in the past few days.

One of the biggest gainers was Siemens, which ended DM 25 higher at DM 833.

Cars and banks also showed substantial rises. Daimler was DM 35 more expensive at DM 1,158 after announcing on Monday the construction of a third car assembly plant to meet the backlog of Mercedes orders. VW, which plans to sell its Brazilian-made cars in the US, gained DM 13.50 to DM 457.50, and BMW edged DM 3 higher to DM 476 ex rights.

Among banks Bayerische Vereinsbank firmed DM 8 to DM 504 ahead of a rise in first-half profits.

Steelmaker Klöckner attracted 70 pfg to DM 73.90 and said it would acquire 26 per cent of the Helenic Steel company in Greece.

Official bourse statistics released yesterday showed that the combined share and bond turnover rose to DM 198.9bn in the first seven months of 1986 against DM 111.1bn in the year-ago period.

Bonds turnover rose to DM 108.4hn in the first seven months of this year compared with DM 62.9bn for the same period in 1985.

Yesterday the price of public authority bonds rose by about 40 to 50 basis points, boosted by the stronger dollar.

The Bundesbank sold DM 122.1m worth of paper after selling DM 102.7m in the previous session.

Stockholm again pushed forward to a record, but prices ended mixed as investors began to react to the previous day's sharp gains.

Electrolux was heavily traded, dropping SKr 1 to SKr 304, and Volvo, which is in talks with General Motors of the US on a possible co-operation deal, ended unchanged at SKr 393.

Brussels gained on news of the Opec agreement to cut oil output by about 4m barrels a day.

The petroleum sector rose along with the price of crude, and Petrofina ended up BFr 188 at BFr 8,800. Cometra scored a gain of BFr 115 to BFr 2,855, and Electrofina took on BFr 440 to BFr 8,070.

Investors were also heartened by the Government's accord on measures to curb public spending. This, however, restrained some banking issues, but Kredietbank rose nevertheless to end at BFr 16,000, a gain BFr 175.

Elsewhere, GBL put on BFr 130 to BFr 3,150, Sofina BFr 210 to BFr 9,800 and Asturienne BFr 28 to BFr 1,002.

Oslo also benefited from the Opec news, and oil-related issues soared.

Norsk Hydro gained NKr 10 to NKr 135 while Saga Petroleum advanced 16 per cent to NKr 68 after a rise of NKr 9.50.

Amsterdam was pushed higher by the strong advance in Royal Dutch Petroleum, up Fl 8.50 at Fl 194.30, a 4.4 per cent rise. In other sectors, strong gainers included VNU, up Fl 10 at Fl 330, Heineken advanced Fl 3.80 to 188 and Nedlloyd added Fl 2.20 to Fl 161.40.

Bonds were firmer as investors anticipated a further fall in domestic interest rates in the near to medium term.

Zurich ended mixed to higher supported by the lower dollar and easier domestic interest rates.

A large sell order of Swissair bearer shares in the first hour dampened trade slightly, and the issue fell SFr 35 to SFr 1,270.

In chemicals, Ciba-Geigy rose SFr 145 to SFr 2,880 while Sandoz bearer dropped SFr 50 to SFr 9,950. Roche 'Baby' was SFr 25 down at SFr 9,550.

Bearer shares of Schindler Holdings rose SFr 150 to SFr 3,850 on news that it had bought a 10 per cent stake in an Indian lift manufacturer. Bonds were steady to higher.

Paris ended mixed with only oil showing any marked gains. Elf Gabon rose 8.1 per cent to FFr 781, Elf Aquitaine

Continued on Page 25

LONDON

Oil accord provides a tonic

NEWS of Opec's tentative accord to cut production quotas provided a tonic for London yesterday.

Oil shares led much of the advance, with active trading adding 37p to BP, which closed at 610p. Britoil rose 15p to 120p, Shell 28p to 838p and Enterprise Oil 17p to 119p.

Active trading also saw Boots slip 19p to 224p on speculation that it was planning a US acquisition. Rowntree Mackintosh, which plans a £144m rights issue to finance a US acquisition, fell 17p to 403p.

Elsewhere among the active stocks Shell Transport added 28p to 838p, Triton Europe 20p to 103p, Trafalgar House 12p to 275p, Lasmo 16p to 113p and Jaguar 3p to 508p.

Government stocks were boosted by renewed domestic and overseas buying. Selected longer maturities stood 1⅛ up on their previous closing levels. Shortdated issues were also bought and closed ⅛ higher in places.

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AUSTRALIA

THE STEADIER Australian dollar helped to buoy Sydney with resources leading much of the rise following reports of an Opec agreement to limit production.

BHP, which has large oil interests, added 4 cents to A$8.06, Santos rose 20 cents to A$3.50, and Vamgas climbed 40 cents to A$2.35. CSR, which also has oil interests, rose 8 cents to A$2.74, and Bell Resources, which owns 30 per cent of BHP, added 15 cents to A$4.30.

Banks also closed higher. Westpac rose 2 cents to A$4.42, ANZ Group also rose 2 cents to A$4.65, but National Australia slipped 2 cents to A$5.04.

Elsewhere, Kidston gold mines, was unchanged at A$6.60, as was News Corp at A$20.60.

Paul Hannon in New York examines the rise in ethical investment

US investors put pressure on Pretoria

US INSTITUTIONS and private individuals are taking dramatic investment action against apartheid. More US city, state, university and trade union pension funds are "voting with their cheque books" by pulling out of stocks that have associations with South Africa or have refused to divest themselves from all South African involvement.

Last month, University of California governors voted to sell $3.1bn of stock in companies doing business with South Africa. A further $7.8bn divestment of stock by state pension funds is expected.

California is the latest of many states and municipalities to enter the field of ethical, or social investment – a deliberate policy of selecting stocks or investment that have little or no socially objectionable shortcomings.

Springing from the anti-Vietnam war movement of the 1960s, ethical investment has passed through phases of popularity in the environmental debate of the 1970s and the anti-nuclear movement of the early 1980s.

South Africa is the latest focus for the ethical investors who are also prepared to exclude tobacco, alcohol and military issues from their portfolios.

"Direct US investment – $1.3bn – in South Africa is really very small," says Mr Robert Schwartz, a Wall Street analyst long associated with ethical investment. "Only 250 US companies actually operate in South Africa, but there are hundreds more associated in some way with that country. If these stocks are avoided on a large scale and substitutes found, it will have a profound impact on the market."

Some analysts estimate the current value of socially motivated investments on Wall Street at more than $100bn.

Institutional pressure – mainly in the form of pension funds – has forced a litany of top US companies to pull out of South Africa, and the prospects of more institutions boycotting stocks that have any association with the country are galvanising a shift in corporate American thinking.

DIVESTMENT BY US STATES AND CITIES

Actual divestment	($m)	Value of assets affected by divestment policy	($m)
New Jersey	2,900	New York City	2,100
Rhode Island	54.8	Los Angeles	713
Massachusetts	91.0	San Francisco	360
Connecticut	86.4	Baltimore	238
Nebraska	60.5	Philadelphia	57
Kansas	24.0	Omaha	38
New Mexico	18.0	San Diego	35
Maine	0.8	Washington DC	35

Source: Investor Responsibility Research Center

US investment in South Africa is concentrated in the computer, oil and motor sectors – none of which might be considered top domestic investments given the sluggisb state of the US economy.

The issue facing IBM, Mohil and General Motors at the top and a plethora of smaller companies at the bottom is that of the selective procurement policies of some state and city agencies that refuse to do business with companies dealing with South Africa.

For many companies, involvement in South Africa is not worth the trouble. Fifteen, including General Electric, have left this year already.

"Divestment has succeeded," says Mr Richard Knight of the American Committee on Africa and the African Fund. "Not only has direct investment been cut in half from the $2.6bn a few years ago, but new investment has dried up.

"It is a growing movement of state and local bodies and individuals. Many small companies operating in South Africa or connected in some way have come to realise that it is simply not worth the trouble. Selective procurement policies (of municipal authorities) have had a large impact at the lower end of the scale."

One of the reasons cited for many large US corporations holding on in South Africa has been the prospects of future profitability. Currently, few US companies are making money, hut the bope of future profits is keeping many groups there.

Some observers see South Africa as the entrė to the continent's markets, and many note how the Japanese, barred by domestic law from direct investment in South Africa, seem poised, through third-party associations, to take over from US industry should it pull out.

"It is not a foregone conclusion that the Japanese will pick up where the Americans left off," says Mr Knight. "Product range is an important factor. Japan simply cannot provide the same number of products that the US can."

One of the long-standing arguments against social investment is the narrowing of portfolio choice. Two recent studies examined this: one was a portfolio of non-South African stocks and another was the Standard & Poor's 500 stripped of all stocks with South African associations. When both of these were compared with the full S&P 500 index, a slighly higher level of risk was involved, but performance was also superior.

Few institutional portfolios actually hold the entire 500 companies of the S&P index (the average is between 50 and 75) indicating that some preliminary selection already takes place.

"The Massachusetts state pension fund actually had a higher rate of return after its divestment of South African related stocks by being forced to broaden its base of portfolio constituents," says Mr Knight.

A further argument surrounding ethical investment is the comparability of stocks. If an investor considers IBM unethical, there is always an alternative, although not necessarily a comparable stock, such as Apple Computer, a long-standing favourite of the social investment movement. The most commonly cited socially acceptable investment sectors are pharmaceuticals, entertainment, publishing, retail, education, medical and construction.

"Even a building industry tinged with Mafia connections is a better choice than a nuclear-powered utility, which has virtually no economic merit," says Mr Schwartz.

A number of specially tailored, socially responsible mutual funds exist, although they have, like most other mutual funds, underperformed the rest of the market so far this year.

"On a strict performance basis, there is nothing exceptional about these," says Mr Henry Shilling of Lipper Analytical Services, which tracks mutual funds for institutional investors. "They have shown 35 per cent year-to-year growth compared with a 38 per cent rise in the S&P. That's not much of an economic argument. I think they have attracted a disproportionate amount of publicity."

Total net assets of the five largest funds grew to $303m from $224m last year. Dreyfus Third Century is one of the largest ethical funds with total assets of $184m and a return of 18.4 per cent last year. The Calvert fund had assets of $52m and a return of 33 per cent last year.

"Change in the moral, social and cultural society of a country does not take place overnight," says Mr Robert Hageman, an equity and commodities analyst at Kidder Peabody. "The worst in South Africa is not over, and we are going to see upheaval in many stocks and commodities."